2010 Saskatchewan Auto Fund annual report

We're here for you.

Vision

To be a company where every customer, employee, owner and business partner across Canada is proud to do business and work with us.

Values

Integrity

- Leading by example and being accountable for our actions.
- Following through on commitments.
- Providing honest, timely feedback.
- Explaining why a decision is taken.
- Giving credit to those who contribute to our success.
- Providing information openly without breaching confidentiality.
- Maintaining the privacy of personal data.

Caring

- Acting in a manner that preserves the dignity of others.
- Valuing and actively supporting diversity.
- Acknowledging and validating the feelings of others.
- Actively seeking and listening to differing points of view.
- Responding to individual differences.

Innovation

- Seeking solutions that recognize individual circumstances.
- Challenging the status quo for positive change.
- Pursuing alternatives which lead to business improvements.
- Continuously working to revitalize products and services.
- Preparing for the needs of the future.

We're here for you.
Cover photo: Jeff Reed,
Customer Inquiry Rep 1,
SGI's Customer Service Centre

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Letter of Transmittal

Regina, Saskatchewan
March 2011

To His Honour,
The Honourable Dr. Gordon L. Barnhart, S.O.M., PhD
Lieutenant Governor of the Province of Saskatchewan

Your Honour,

I am pleased to submit herewith the annual report of the Saskatchewan Auto Fund for the year ended December 31, 2010, including the financial statements in the form required by the Treasury Board and in accordance with *The Automobile Accident Insurance Act.*

Respectfully submitted,

Honourable Tim McMillan
Minister Responsible for Saskatchewan Government Insurance

Minister's Message

Crown corporations add value for the people of Saskatchewan when they provide the best possible services to customers, those services are high quality, accessible and affordable, and they're provided in the most efficient and effective manner possible.

In 2010, the Saskatchewan Auto Fund addressed all those points.

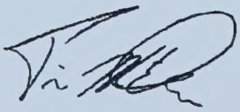
Efficiency and productivity came to the forefront with the completion of the final phase of the Auto Fund's computer system redevelopment project. The five-year project has streamlined processes, improved work efficiency and created a platform for future enhancements.

An immediate customer service enhancement was the launch of expanded Internet services, including the convenience of online vehicle registration renewals through the MySGI service. And Saskatchewan residents will enjoy these service improvements at the best possible price, as the Auto Fund continues to offer the lowest average personal auto insurance rates in Canada.

I'm pleased to see that quality service, affordable prices, productivity and efficiency are core parts of the five-year strategic plan SGI is embarking upon this year. I commend employees, management, the Board of Directors and all stakeholders who participated for developing a plan focused on making SGI a corporation that Saskatchewan people are proud of doing business with and working for.

The Saskatchewan Auto Fund shows how Saskatchewan's Crown corporations are strong, healthy and committed to the people of Saskatchewan.

I'm pleased to present the 2010 Saskatchewan Auto Fund Annual Report.



Honourable Tim McMillan
Minister Responsible for Saskatchewan Government Insurance

Chair's Message

SGI's Board of Directors is very pleased with the 2010 results for the Saskatchewan Auto Fund. The Corporation has bounced back from recent years of challenging investment markets to come out financially strong.

This lays a strong foundation for the Auto Fund as it moves toward a new strategic direction. That direction is supported by a five-year plan, driven by the goals of continued strong financial results and enhancements to products and efficiency, while maintaining affordable prices, great service for customers and meaningful community involvement.

The final phase of the Auto Fund computer system redevelopment project was completed in 2010. It sets the stage for SGI to meet customer appetite for online services and future business needs.

The Auto Fund counted on the innovation and great customer service provided by an exceptional team of employees to make 2010 a success. The Board worked to provide strategic guidance and oversight supporting the operations of the Corporation.

In 2010, SGI and the Board of Directors bid farewell to W.J.A. (Bill) Heidt. We thank him for his contributions at the Board level from 1997 to 2010, as well as for his years of service as an SGI employee, beginning in the 1970's and culminating with his term as SGI president. We also welcomed back Doug Richardson Q.C., Senior Partner at McKercher LLP in Saskatoon. His past experience on the Board will be a definite asset.

On behalf of all the Board, I extend our gratitude to SGI employees and motor licence issuers for their dedication and hard work in 2010. We look forward to working together to achieve our new corporate vision.

Warren Sproule, Q.C.
Chair, SGI Board of Directors

President's Message

In 2010, as always, the Auto Fund's focus was on customers, with several initiatives to help enhance their experience with us.

2010 marked the completion of the Auto Fund computer system redevelopment project, one of the goals of which was to enable us to serve our customers better. The five-year, $35 million project came in on time and within 3% of the original budget, a rare success in our industry for a project of that size and scope. Early in 2010 we rolled out the largest phase of the project, a new vehicle licensing and registration system. This was a huge undertaking, and I extend my thanks to our staff, including the network of more than 400 motor licence issuers across the province, for their patience and support during this implementation. We then partnered with issuers on the final phase of the project, which was also the most tangible for our customers. With the MySGI service, customers now can complete a number of Auto Fund transactions through the Internet from the comfort of their own home. We will continue enhancing MySGI through 2011 and beyond.

In 2010, SGI also finished work to prepare for the implementation of Saskatchewan's new one-part, five-year driver's licence. It's a highly secure document with enhanced fraud protection features that meet international standards. It also adds convenience for customers through the five-year term and new payment options.

The Auto Fund is committed to the people of Saskatchewan. We're here for everyone from new parents needing help with their children's car seats, to the farmers we consulted about changing the farm plate program to better suit their needs, to Canada's greatest football team, the Saskatchewan Roughriders, with the sale of 18,898 Rider licence plates. We continue offering vehicle owners affordable automobile insurance. Based on a comparison of the 34 most popular vehicles in Saskatchewan, the Auto Fund continues to offer the lowest average personal auto insurance rates in Canada.

We're here for our customers by making the protection of their personal information a top priority. SGI performs routine audits to ensure our extensive privacy and confidentiality safeguards are effective, and we work regularly and cooperatively with the Office of the Information and Privacy Commissioner to ensure customers' personal information is secure.

Our customers tell us they appreciate our efforts. We annually survey SGI customers on seven key areas of satisfaction, which are calculated into a score out of five called the Customer Value Index (CVI). The results of the CVI remain strong, with a 2010 result of 3.83 – well above our target of 3.72. This tells me we are achieving our goal of quality customer service at the best possible price.

Higher than anticipated investment earnings helped the Auto Fund achieve solid results, as did the rate increase that came into effect November 1, 2009, the full impact of which wasn't felt until 2010. Summer storms had a significant impact on customers, but SGI was well positioned to handle the cost of the hail and flood damage claims, in addition to supporting customers as they dealt with damage to their vehicles.

The Rate Stabilization Reserve (RSR), the reserve fund we maintain to ensure we have the capital to cover future claim costs and limit the need to make future adjustments to our rates, increased to $142.3 million at year end. The Auto Fund uses the Minimum Capital Test (MCT), a common industry measurement, to ensure it maintains adequate reserves to pay future claims. The Auto Fund's MCT was 124% at the end of 2010, well within our target range between 75% to 150%.

President's Message

None of this is possible without our team of talented, experienced and dedicated staff. They are the backbone of SGI, and that's why they played a key role in setting a new strategic direction and creating our new corporate plan. They were asked to provide their ideas in a variety of ways. Their feedback was added to input from other stakeholders and research to make this a plan we can all own.

The plan charts our course through the opportunities we have and challenges we face with a focus on excellent customer service, giving back to our community, helping prevent collisions, fostering a rewarding and innovative workplace for our employees, enhancing productivity and efficiency, and being sustainable through financial stewardship and environmental practices. These key areas of focus are driven by our new vision supported by our values of integrity, caring and innovation.

Our 2006 to 2010 traffic safety strategy also came to a conclusion. We've crafted a new strategy that keeps a focus on impaired driving, seatbelt use, intersection safety and speed management, increases emphasis on new drivers and distracted driving, and adds the prevention of wildlife-vehicle collisions to our focus areas.

Through the growth and change we've seen over the past year, SGI continues to be here for you. By ensuring continued financial strength, satisfied customers, valued employees and sound environmental practices we are making sure that we will remain a company you can be proud to do business with.

Sincerely,

Andrew R. Cartmell


We're here for you.

We're here
with online services

We’re here with online services

Almost everyone is on the Internet these days, including SGI customers. To meet demand for online services, SGI worked with its issuer network and the Insurance Brokers’ Association of Saskatchewan (IBAS) to launch MySGI in the fall of 2010. This new Internet application was the final phase in the Auto Fund redevelopment project and can be offered by any issuer with a website at any location in the province.

"We have a great issuer network that really got on board with MySGI. The way we built the system enables our customers to use their own issuer wherever they are, even from the comfort of their own living room. They can maintain their issuer relationship regardless of location," said Rachel Jones, Manager of Auto Fund Internet Support.

The very first MySGI transaction was completed through Roger Reynolds’ website for City Side Insurance Services Ltd. in White City, Sask.

Reynolds acknowledges how significant MySGI is.

"It’s a sign of the times and it’s important to offer these services to customers," said Reynolds.

We're here to help

SGI understands the importance of having a driver's licence, and we know some people face barriers to getting their licence. One of the ways we assist those who need help is through the SGI Grant for Aboriginal Driver Education. The grant is available to Saskatchewan residents of Aboriginal ancestry who have their learner's licence. It enables those who qualify to get the classroom and in-car training they need to take their road test.

Amanda Torres saw an SGI poster about the program and decided to call. Pat Carter, Driver's Licensing Liaison, was on the other end of the line to help.

"SGI was accommodating about my schedule, transportation and child care needs to fit me in. Pat was kind and genuine; she worked with me to get everything that I needed so I could take driver's training and get my licence. As a single mother, I just didn't have the income to do it on my own," said Torres.

Torres is in her first year of the Saskatchewan Urban Native Teacher Education Program (SUNTEP) in Prince Albert and has a six year old son. Having a licence has made her life so much easier.

"I need wheels to be a teacher, to get my son to school and his extracurricular activities. I'd still be struggling without the help I got from Pat and SGI."

We're here to help

We're here
for our employees' health

We're here for our employees' health

At SGI we want to foster a caring and supportive environment for our employees, and that includes their health. We encourage healthy living in a variety of ways, including a wellness account for employees to use for health equipment and activities.

In 2010, Rhonda Bogdan, a Clerk 6 in Auto Fund Insurance Program Administration, let her 1,800 plus fellow employees follow her wellness challenges and progress through the year via the corporate intranet. Using money from her wellness account, she enrolled in a running program and hired a personal trainer to help her reach her goal of losing 60 lbs.

"The support from SGI and my fellow employees really helped me meet my goals. They were able to follow my experiences, motivating me and encouraging me along the way. They sent me emails, wrote me notes and would stop me when they saw me to tell me how inspirational my story was. In the end it has really paid off. Not only did I lose all the weight I wanted to, but I ran in my first marathon this year and am currently training for a triathlon. It has been worth every drop of sweat and sore muscle; it truly changed my life for the better."

We're here to help keep you safe

Report Impaired Driving (RID)

At the Regina launch of RID, from left, are: Chief Troy Hagen, Regina Police Service; Louise Knox, Chapter Services Manager, MADD Canada; Jerry Larson, Past President, SADD Saskatchewan; Hon. Tim McMillan, Minister Responsible for SGI; and Barry Lacey, President and CEO, SLGA.

Traffic safety is an important part of the Auto Fund's involvement in Saskatchewan communities. We invest time, energy and money into education, enforcement, engineering and other initiatives to help keep Saskatchewan roads safe.

SGI's goal is to save lives, reduce personal injury and property damage that result from traffic collisions. Sadly, the number of fatal collisions in Saskatchewan was 147 in 2010, an increase from the previous year. However, gains were made in reducing the number of collision injuries.

Impaired driving continues to be the largest contributing factor in fatal collisions, about 30% of all fatal collisions in 2010, and SGI continues to seek new ways to stop impaired driving. While there has been a small reduction in impaired-driving related collisions, there is still more work to be done to discourage drinking and driving. SGI has developed a new comprehensive traffic safety strategy to guide efforts to help keep Saskatchewan roads safe. The 2006 to 2010 plan was based on six major traffic safety focus areas: human factors, impaired driving, occupant protection, intersection safety, speed management and roadway-based solutions. These areas were where statistics and research showed change was needed to reduce collisions and injuries.

We work to address the factors that lead to collisions by initiating and partnering on projects that help to improve the safety of road users and the infrastructure they travel on.

These are some of the initiatives and partnerships we worked on in 2010:

Human factors

- Announced in 2009 and implemented in 2010, hand-held cellphones are now prohibited while driving in Saskatchewan. In addition, new drivers in the Graduated Driver's Licensing program cannot use hands-free cellphones either.

- SGI established a traffic safety liaison position in the Saskatoon Tribal Council and worked with the File Hills Qu'Appelle Tribal Council to get a similar position established there. These liaisons work with youth and elders in their communities to identify traffic safety issues and define solutions.

- Through the Immigrant Driver Education Grant Program, SGI allocated $145,000 to assist refugees and immigrants who have taken permanent residency in Saskatchewan in obtaining their driver's licence by facilitating access to driver education.

- SGI also allocated $77,000 to the Aboriginal Driver Education Grant Program, which provided Aboriginal people with assistance to obtain a driver's licence.

Impaired driving

- SGI partnered with Saskatchewan Liquor and Gaming Authority (SLGA) and police forces in both Saskatoon and Regina for the Report Impaired Drivers (RID) program. RID encourages other drivers to pull over and report a suspected impaired driver by dialing 911. The program was piloted in Saskatoon starting in March 2010 and was such a success that in September RID was introduced in Regina as well. By the end of 2010, there were 2,189 suspected impaired drivers reported in Saskatoon, which led to 124 impaired driving charges, 57 24-hour suspensions and 61 other Criminal Code charges. In Regina, 697 suspected drivers were reported leading to 12 charges and 27 interceptions.

- In order to help address the issue of suspended impaired drivers who continue to drive, SGI provided funding to major police agencies in Saskatchewan for outfitting vehicles with Automatic Licence Plate Recognition (ALPR) equipment. The ALPR is mounted on police cars and reads licence plates on passing or parked vehicles and automatically checks them against data from SGI for suspended, unlicensed and prohibited drivers, and unregistered vehicles. It can also check licence plates against Canadian Police Information Centre (CPIC) data, such as for stolen vehicles, vehicles associated with wanted persons and Amber Alerts. ALPR does in minutes what would take an officer many hours or days. As of September 2010, close to 53,000 plates were read by the various ALPR devices with about 4,000 hits on the system. Police have laid 186 charges to suspended or prohibited drivers, 33 unlicensed drivers, served 33 warrants and found 294 expired plates.

- SGI partnered with the File Hills First Nation to provide its police force with $12,000 in funding for an intoximeter and other impairment testing equipment, and $12,000 for impaired driving check stops.

We're here to help keep you safe

The Decision

Posters for The Decision campaign could be found in theatres across the province.

- SGI created a youth-targeted movie-trailer style ad campaign called The Decision to engage youth in the issue of drinking and driving. The ad's cliff-hanger ending is followed by information on how to finish the story, which encourages youth to participate in a draw for prizes for themselves and their school. We received over 3,500 entries, with the second trailer hitting movie screens in April 2011.
- SGI continued supporting organizations and events that wish to provide a safe and sober ride for their attendees. On New Year's Eve we helped fund free bus rides in Regina, Saskatoon, Moose Jaw and Prince Albert with Ding in the New Year.

- SGI supported Operation Red Nose in North Battleford. The volunteer-run program offers a safe ride home service, free of charge in one's own vehicle, during the holiday season to motorists who do not feel fit to drive.

- We provided safe ride services to and from the Craven Country Jamboree. SGI also provided transportation around the event grounds at Back to Batoche and a free shuttle for the Labour Day Classic CFL football game in Regina.

Occupant protection

- SGI saw continued success with the rural Seatbelt Challenge – a community-driven project designed to improve seatbelt use in rural Saskatchewan. SGI partners with health regions, First Nations, municipalities, law enforcement agencies, fire departments, emergency medical service providers and student organizations in participating communities to conduct the challenge. The 2010 challenges involved communities from the Meadow Lake Tribal Council and Saskatoon Tribal Council. The winner for Meadow Lake Tribal Council was Island Lake First Nation, where residents more than doubled their seatbelt use. The Saskatoon Tribal Council winner, Mistawasis First Nation, almost doubled their residents' seatbelt use as well.

- Free car seat clinics were held in communities across the province from May to September. Trained inspectors checked car seats for how well they fit the child, and whether the seat was installed properly.

- SGI's Safety Squad toured the province with interactive education tools to bring attention to traffic safety issues.

- Working in partnership with the RCMP, SGI's rollover simulator toured the province to highlight the consequences of not using a seatbelt.

Speed management

- As a part of the File Hills First Nation partnership, some of the $12,000 donation for equipment was used to purchase a speed radar gun.

Roadway-based solutions

- SGI worked with the Ministry of Highways on the construction of centre and edge line rumble strips to reduce run-off-the-road and lane departure collisions on highways, typically due to distracted or drowsy driving. SGI provided $75,000, which created roughly 500 km of edge line rumble strips.

Our future focus

While we've definitely made achievements over the past five years, we have developed a new strategy to guide our efforts over the period from 2011 to 2015. As with the previous five-year traffic safety strategy, we have set out some key areas of focus – mainly those that contribute to the most collisions on our roads in Saskatchewan. We'll be focusing on:

– impaired driving

– wildlife-vehicle collisions

– distracted driving

– seatbelt use

– intersection safety

– speed management

– new drivers

We're here
to be a good corporate citizen

Rider Plates

SGI is proud to support the Saskatchewan Roughrider football team through the sale of Rider plates. In the photo above, Rider mascot Gainer the Gopher shows off the Rider plates with Roughrider President and Chief Executive Officer Jim Hopson and Premier Brad Wall.

Corporate Social Responsibility (CSR) is a company's commitment to operating in an economically, socially and environmentally sustainable way, while keeping in mind the interests of its stakeholders. SGI has long held these interests, and in 2010 defined a CSR framework that centres around community, employees, corporate governance and environment. While these are all separate areas of focus, together they speak to our corporate values: integrity, caring and innovation. Applying CSR standards to what we do and the decisions we make will ensure we take responsibility for the impact of those decisions and actions.

The following sections provide examples of how we met our CSR goals in 2010.

We're here for the community

- Rider plates continue to be offered to support the Saskatchewan Roughrider football team. Net revenue of $510,246 from the plates was given to the Saskatchewan Roughrider Football Club in 2010. We also partner with the Riders to promote traffic safety with designated driver messages leading up to and at all home games and with Play it Safe Day prior to the Labour Day Classic game.

- SGI employees recognize that they are global community members and gave back in 2010 with fundraising for victims of the Haiti earthquake and floods in Pakistan. They continue to collect money for both Telemiracle and the United Way, among many other employee initiatives.

- We support future customers through driver education programs and support for Students Against Drinking and Driving (SADD).

- We provide assistance for awareness weeks (impaired driving, bicycle and motorcycle safety), and SGI's bicycle, pedestrian and school bus safety education reaches nearly every Saskatchewan student.

- SGI supported Cinema4Change; an outdoor cinema brought to communities across the province that we worked with to promote traffic safety.

- We partnered with the City of Yorkton, Sunrise Health Region and Yorkton In Motion to plan and implement a bike lane network for the city.

- Hockey Regina worked with SGI to promote traffic safety messages to the thousands of people who participate in amateur hockey.

- We supported the Virtual Y program to bring after school programs to inner-city youth in Regina.

- SGI partnered with the Yorkton Alliance of Asset Champions and the RCMP to "ticket" Yorkton youth for good behaviour, such as wearing a bike helmet and using their seatbelt. The goal of the ticketing program is to promote positive relationships with local law enforcement, engage youth and encourage them to be community leaders.

- SGI's employee Community Action Team (CAT) made financial contributions to a number of organizations, including $15,000 for toys and electronics for children's wards in hospitals across the province.

- In total this year SGI spent $473,286, and supported or sponsored 139 community events and initiatives.

We're here for our employees

- SGI has a commitment to diversity, work-life balance, wellness and community involvement for our employees. We continue to be recognized for this:

  – For the fourth straight year SGI was named one of Canada's Top 100 Employers;
  – For the fifth straight year SGI was named one of Saskatchewan's Top 20 Employers;
  – For the fourth straight year SGI was named one of Canada's Best Diversity Employers;
  – For the second time SGI was named one of Canada's Top Family Friendly Employers; and,
  – For the very first time SGI was named a Top Employer for Workers Over 40.

- We involved employees in creating our new corporate plan through virtual consultation and feedback.

- We offer training and development opportunities, classes and support for work-related education opportunities, including university courses.

- The President's Youth Advisory Council organizes events to help engage employees.

- The Aboriginal Advisory Network works to support, encourage, engage and increase the visibility of Aboriginal employees.

We're here to ensure good corporate governance

- SGI provides frequent and transparent financial reporting.

- Early in 2010, SGI's Board of Directors created a Risk subcommittee to provide oversight of risk management practices. It approved a policy to establish the context for SGI to manage key business risks on an enterprise basis, and set out the objectives, governance structure and definitions required to support risk management. The process to assess and review major corporate risks was also expanded and formalized to maintain a more objective assessment of SGI's risks and its efforts to mitigate those risks.

- SGI has a detailed code of conduct and ethics that all employees must comply with to ensure they are supporting the Corporation's reputation and making decisions in the best interest of themselves, their customers and other employees.

- SGI places an increased importance on privacy strategies and safeguards for the personal information we collect and access in order to do business and serve the public. We continually review our policies to make sure we are in compliance with federal and provincial laws, and as a sound business practice.

- SGI's Board of Directors reviewed and updated its governance framework in 2010.

We're here for the environment

- SGI Salvage has long been a leading automobile recycler, recycling over seven million pounds of steel, 82,000 pounds of aluminum and 100,000 parts and assemblies for reuse every year. The department also collects various fluids and materials from salvage vehicles to prevent soil and water pollution.

- SGI continues to help the government reward owners of eligible hybrid and fuel efficient vehicles by administering a rebate program. In 2010, "green vehicle" owners received a 20% rebate on their 2009 insurance and registration costs. Nearly 10,750 customers (a roughly 44% increase from 2009) received an average rebate of about $195.

- SGI is committed to considering the environmental impact of its buildings, facilities and equipment. In 2010, the Regina East Claims Centre and the North Battleford Claims Centre were updated with T8 lighting, high efficiency boilers, furnaces and heat pumps, water conserving bathroom fixtures and motion detector lighting. We also replaced furnaces and air conditioning units at the Weyburn Claims Centre with more efficient models.

- An employee-driven committee provides education, awareness and initiatives for environmental issues. One of the Green Committee's major 2010 projects included a campaign to discourage plastic bag use at head office by offering a reusable bag borrowing service.

Management's Discussion and Analysis

The following management's discussion and analysis (MD&A) is the responsibility of Saskatchewan Government Insurance (SGI) as the administrator of the Saskatchewan Auto Fund and reflects events known to SGI to February 23, 2011. The Board of Directors carries out its responsibility for review of this disclosure principally through its Audit and Finance Committee, comprised exclusively of independent directors. The Audit and Finance Committee's mandate can be found on SGI's website at www.sgi.sk.ca under About SGI. The Board of Directors approved this MD&A at its meeting on February 24, 2011, after a recommendation to approve was put forth by the Audit and Finance Committee.

Overview

The MD&A is structured to provide users of the Saskatchewan Auto Fund (denoted as the Auto Fund or the Fund) financial statements with insight into the Fund and the environment in which it operates. This section outlines strategies and the capability to execute the strategies, key performance drivers, capital and liquidity, 2010 results, risk management and an outlook for 2011. Information contained in the MD&A should be read in conjunction with the financial statements and notes to the financial statements, along with other sections in this annual report. All dollar amounts are in Canadian dollars.

Caution Regarding Forward-Looking Statements

Forward-looking statements include, among others, statements regarding the Saskatchewan Auto Fund objectives, strategies and capabilities to achieve them. Forward-looking statements are based on estimates and assumptions made by SGI, as the administrator of the Auto Fund, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. SGI, as the administrator of the Auto Fund, deems that the assumptions built into the forward-looking statements are plausible; however, all factors should be considered carefully when making decisions with respect to the Auto Fund. Undue reliance should not be placed on the Auto Fund's forward-looking statements, which only apply as of the date of this MD&A document. The Auto Fund does not undertake to update any of the forward-looking statements that may be made from time to time by or on the Fund's or the administrator's behalf.

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The Saskatchewan Auto Fund

In 1944, the Government of Saskatchewan passed *The Saskatchewan Government Insurance Act*, creating the provincial Crown corporation that is known today as SGI. SGI was created to rectify problems in the Saskatchewan insurance industry. At that point in time, poor economic conditions had driven many insurers out of the province. Less than 10% of Saskatchewan's licensed vehicles carried any insurance and there was a need for a compensation plan for persons injured in collisions.

In 1946, the government established basic compulsory automobile coverage for Saskatchewan residents under *The Automobile Accident Insurance Act* (AAIA). The Saskatchewan Auto Fund was established effective January 1, 1984, by an amendment to the AAIA, which separated the property and casualty insurance operations of SGI and the compulsory Auto Fund. The administrator of the Saskatchewan Auto Fund is SGI. The role of SGI, as the administrator, is to oversee the operations of the Auto Fund for the Province of Saskatchewan based on the legislative requirements contained in the AAIA.

The Auto Fund, as the compulsory automobile insurance program for Saskatchewan residents, provides vehicle registrations, driver's licences, basic minimum liability insurance required to operate a vehicle and coverage for damage to or loss of an insured's vehicle, subject to a deductible. Liability insurance coverage provides for a specific amount to cover property damage and/or injuries caused to another person. The compulsory insurance also includes injury coverage that provides an option to choose between No Fault Coverage and Tort Coverage. This basic insurance package allows a currently registered vehicle to operate legally anywhere in Canada or the United States of America.

The Auto Fund is governed by legislation contained in the AAIA, *The Traffic Safety Act, The All Terrain Vehicles Act* and *The Snowmobile Act* (the Acts) along with related regulations created by these Acts. The Auto Fund is also subject to legislation contained in *The Crown Corporations Act*, 1993 and Part IX of The Insurance Companies Act (Canada) regarding the investments of the Auto Fund. It is subject to provincial privacy and access to information legislation contained in *The Freedom of Information* and *Protection of Privacy Act* and *The Health Information Protection Act*. It also has administrative, enforcement and other related duties under other provincial Acts and regulations, and under the federal Criminal Code.

The Auto Fund does not receive money from, nor pay dividends to, the Province of Saskatchewan, SGI or Crown Investments Corporation of Saskatchewan (CIC). CIC is SGI's parent corporation. The Auto Fund is operated on a self-sustaining basis viewed over a long-term timeframe. Any annual financial excess or deficiencies of the Auto Fund are recorded in its Rate Stabilization Reserve (RSR). The RSR is held on behalf of Saskatchewan's motoring public and cannot be used for any other purpose by the government or the administrator.

Financial results for the Auto Fund are not included in the consolidated financial statements of SGI nor CIC's consolidated financial statements, as the Auto Fund is a fund of the Province of Saskatchewan. Financial results for the Auto Fund are included in the Province of Saskatchewan's summary financial statements using the modified equity accounting method as permitted by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

The Auto Fund, at December 31, 2010, had 410 motor licence issuers[1] in 302 communities across Saskatchewan. It also operates 21 claims centres and five salvage centres in 13 communities across the province along with seven branch licence issuing offices. The Auto Fund business operation is restricted to the Province of Saskatchewan and is operated from SGI's head office located in Regina, Saskatchewan.

The Auto Fund's quarterly and annual reports are available on SGI's website at www.sgi.sk.ca. Navigate to About SGI and then click on Quarterly Reports or Annual Reports.

[1] This and other terms are defined in the Glossary of Terms on page 82.

The Environment the Auto Fund Operates In

The Auto Fund's customers are Saskatchewan residents. It provides all residents with automobile injury coverage and a choice between a no-fault or tort product. As the sole provider of vehicle and driver's licensing in Saskatchewan, the Auto Fund operates based on legislative powers granted in the Acts. The Auto Fund is required to submit vehicle insurance rate changes to the Saskatchewan Rate Review Panel (SRRP), whose mandate is to evaluate the rate change and to provide an opinion on the fairness and reasonableness of the requested change. SRRP does not have the authority to implement any of its recommendations; the final decision to approve, change or reject rate changes is at the discretion of the provincial government.

The Auto Fund provides vehicle registrations, driver's licences and related services to approximately 722,000 drivers and approximately one million vehicles and trailers in Saskatchewan. Business partners range from independent motor licence issuers, driver educators, autobody shops and law enforcement agencies, to health-care providers. These business partners are involved in different aspects of the Auto Fund's operations from licensing, road safety and repair of damaged vehicles, to provision of medical care and rehabilitative services for those injured in motor vehicle collisions.

The Auto Fund's philosophy is that all drivers are treated equally unless their driving record shows they are a greater risk for causing a collision. It does not use a driver's age, gender or where they live to determine a vehicle insurance premium or the fee for a driver's licence. It has successfully maintained this philosophy while offering Saskatchewan customers low rates, proving its merit.

While it has been successful at offering residents of Saskatchewan low rates, the Auto Fund does face challenges. Claim costs represented approximately 82% of the Auto Fund's costs in 2010. Over the last 10 years, damage claim costs have increased at an average annual rate of 5.4%, while personal injury costs have grown at approximately 2.5% annually.

New and advanced technology means vehicles are more expensive to repair. New vehicles also cost more to repair than older vehicles and part prices, along with labour rates, continue to rise. As a result, claim costs continue to climb as repair costs outpace inflation.

Injury costs also rise annually as injury benefits under No Fault Coverage are indexed to inflation each year. Tort and out-of-province liability claims, which are generally based on court awards, increase at a rate significantly higher than inflation.

The challenges from rising claim costs continued in 2010. However, the Auto Fund's capital has remained adequate, partially due to strong investment returns, which allowed the Auto Fund to maintain its rates throughout 2010. Auto Fund customers continue to benefit from the lowest average personal vehicle insurance rates in Canada.

The Auto Fund continues to offer its Safe Driver Recognition (SDR) and Business Recognition programs. These programs have been in place since 2002 and 2004 respectively. The SDR program places all drivers on a safety rating scale based on their driving history. The Business Recognition program rewards businesses that maintain good loss experience with discounts on their vehicle insurance. The initial maximum discount of 7% under the SDR program has steadily increased and is currently at 20%. The maximum discount available from the Business Recognition program is 10%. The cost to the Auto Fund in 2010 in terms of lower premium revenue was $97,570,000 (2009 – $89,383,000).

In 2010, the Auto Fund administered a program that returned just under $2.1 million to customers in the form of a green vehicle rebate, whereby eligible customers that owned an eco-friendly vehicle were granted a 20% rebate on their 2009 insurance premiums and registration. The rebate was funded by the Ministry of Environment and will be offered again in 2011.

Strategic Direction

In 2010, the Auto Fund saw its 2005-2010 strategic plan come to a close, and a new direction for 2011-2015 take shape. A new vision statement and new corporate strategies were developed to guide the Auto Fund's future. The new strategic direction is introduced in the President's Message. While the strategic direction has changed, the values under which the Auto Fund operates have not.

The Vision and Values under which the Auto Fund operated during 2010 were as follows:

Vision

We will be the best customer-driven and affordable automobile insurance plan in Canada.

Values

Integrity	Conducting ourselves with honesty, trust and fairness
Caring	Acting with empathy, courtesy and respect
Innovation	Implementing creative solutions to achieve our vision

Corporate Strategies

To meet its vision, the Auto Fund's main areas of focus in 2010 were:

- People
- Customers
- Sustainability
- Financial health

Within these areas, specific strategies were adopted to be a customer-driven insurance program that anticipates expectations of its customers while maintaining affordability. The Auto Fund uses a balanced scorecard approach to monitor performance and results. The objective of a balanced scorecard is to provide a balanced evaluation of key operational and financial results, activities and achievements with both a short- and long-term focus. The following sections discuss key strategies in each area of focus, as well as related key performance indicators from the balanced scorecard.

People

The Auto Fund's people strategies for 2010 concentrated on two strategies: building the right culture to deliver on the strategic plan, and attracting and keeping the right people while ensuring they are in the right jobs for their skills and abilities.

Key performance indicators in the balanced scorecard to monitor the Auto Fund's people strategies were:

Measure	2010 Target	2010 Results	2011 Target
Strategic clarity index	78.5%	❍ 73.9%	75.0%
Recognition index	55.0%	❍ 51.5%	n/a
Leadership index	61.0%	❍ 55.9%	57.0%
Employee value index	73.0%	❍ 61.3%	65.0%
Grow people talent – new hires who are designated group members	25.0%	● 30.9%	25.0%
Training investment	Within 5% of financial services industry average	● Within 2% of financial services industry	Within 5% of financial services industry average

Legend: ● achieved ❍ did not achieve

Strategic clarity index

Strategic clarity is achieved when employees understand the strategic direction of the Auto Fund, how their work contributes to achieving its strategic goals and the progress the Auto Fund is making towards those goals. The strategic clarity index measures how well employees believe the Auto Fund is achieving those three goals. At 73.9%, the 2010 score was below its target of 78.5%.

While the result is below target, the score remains strong, demonstrating that employees' perceptions of how well they understand the Auto Fund's direction and their alignment to it are high. However, a genuine understanding of the corporate direction is important to ensure everyone in the Auto Fund is working toward a common outcome. This will continue to be a key focus in 2011.

With the introduction of a new long-term strategic direction for 2011-2015, the Auto Fund anticipates some uncertainty among employees. In recognition of this, the target for 2011 has been lowered slightly to 75.0%.

Recognition index

The Auto Fund believes that the achievements and efforts of its employees are key to achieving corporate results. The recognition index measures how well employees believe the Auto Fund is recognizing their efforts and achievements. Results from the 2008 employee survey were used to tabulate a benchmark recognition index score. The 2010 score of 51.5% was below the 55.0% recognition target for 2010. In response to not achieving this target, corporate-wide focus groups were used to identify areas for improvement going forward.

While recognition will continue to be important to the Auto Fund, the index will not appear on the balanced scorecard in 2011.

Leadership index

Leadership is critical to achieving the desired corporate culture. The Auto Fund recognizes the importance of leadership and developed an index to measure the extent employees believe the management team is delivering on important attributes such as integrity and empowerment.

The 2010 target of 61.0% was not achieved with a score of 55.9%. Based on recent trending, the leadership index target for 2011 is 57%.

Employee value index

Employees derive value from their overall work experience. Maximizing this value is critical to engaging and retaining employees. The Auto Fund's employee value index measures how involved and committed people feel toward the organization, a key attribute towards achieving its goal of attracting and keeping the right people. In December 2006, SGI began measuring engagement through an employee value index calculated using employee survey results. The result for 2010 was under its 73% target with an employee value index score of 61.3%. It is believed that employee uncertainty surrounding the significant changes in progress, such as the communication of a new strategic plan, caused the decline in this score in 2010.

Change is expected to continue in 2011, as implementation of the new corporate plan begins. As such, the 2011 target has been re-established at 65%.

Diversity

Provincial and corporate demographics demonstrate the need to recruit a workforce that is representative of the population. The Auto Fund targeted 25% of new hires to be from designated groups and exceeded the target with 30.9%. The Auto Fund continues to target the recruitment of designated group members in 2011.

Training investment

Investing in learning and development for employees is critical to maintaining a high-performing, engaged workforce. In 2010, the Auto Fund began measuring its corporate training investment against the financial services industry average, based on the Conference Board of Canada's training investment metrics. The Auto Fund's target is to achieve a training investment within 5% of the financial services industry average. This target was achieved in 2010, as the Auto Fund's training investment was within 2% of the financial services industry average. The 2011 target is once again to be within 5% of the industry average.

Customers

The Auto Fund's success is measured against a goal of being the best customer-driven and affordable automobile insurance plan in Canada. It developed key strategies to achieve this, including a commitment to customer service and delivering the lowest average personal vehicle rates in Canada.

The following table summarizes the key performance indicators in the balanced scorecard to monitor customer-related strategies:

Measure	2010 Target	2010 Results	2011 Target
Customer value index survey (out of 5)	3.72	● 3.83	n/a
Claims customer service survey	90.0 % satisfaction rating	● 90.0% satisfaction rating	90.0% satisfaction rating (consolidated with SGI CANADA)
Cross-Canada rate comparison	Lowest average private vehicle rates in Canada	● Saskatchewan has the lowest private vehicle rates in Canada	n/a

Legend: ● achieved ❍ did not achieve

Customer value index

The customer value index (CVI) measures customer satisfaction using results from an annual customer survey. It tracks seven key areas of importance: overall management, listening to the concerns of customers, having well-trained and experienced staff, educating and informing the public, behaving in an ethical and responsible manner, maintaining low rates relative to other parts of Canada, and providing high standards of customer service. The CVI uses responses related to these seven areas of importance to calculate an overall score for the Auto Fund out of five. The Auto Fund exceeded its target of 3.72 out of 5.00 in 2010, indicating that customer perceptions of the Auto Fund's performance remain high. The 2010 score of 3.83 is the second highest level it has achieved.

The Auto Fund will no longer measure the CVI in 2011, but adopt a more targeted approach to tracking customer satisfaction. Using the annual customer survey, customer satisfaction will be assessed on three separate scores: satisfaction with responsiveness, educating and informing the public, and satisfaction with rates. The targets are 72%, 73% and 72% respectively.

Claims customer service survey

The Auto Fund conducts semi-annual surveys with claim customers to ensure it is meeting their needs. The target is a 90% approval rating. The latest survey results indicate a 90% satisfaction level, a 2% increase from 2009, achieving the 2010 target of 90%. The target for 2011 remains a 90% consolidated satisfaction level for the Auto Fund and SGI CANADA.

Cross-Canada rate comparison

SGI's cross-Canada rate comparison considers Saskatchewan's 34 most frequently registered vehicles and compares rates to those of public insurers in British Columbia, Manitoba and Quebec. For provinces with private insurance, quotes are obtained from an independent rate quotation service that collects information directly from private insurers across Canada. The rate comparison is subject to audit by an independent accounting firm.

In 2010, the rate comparison concluded that Auto Fund customers continued to benefit from the lowest average private vehicle insurance rates in Canada. While low rates and fairness in rates will continue to be important to the Auto Fund, it will no longer appear as a measure on the balanced scorecard. Instead, the annual customer survey will be used to measure customer satisfaction with rates.

Sustainability

The Auto Fund views sustainability as having three facets: corporate sustainability, community sustainability and environmental sustainability. Corporate sustainability is about protecting the Auto Fund's financial viability, as discussed in the next section.

Community sustainability dates back to the reason SGI was created, which was to support Saskatchewan families and communities. Environmental sustainability speaks to the Auto Fund's efforts to minimize its impact on the environment.

The following table summarizes the key performance indicators in the balanced scorecard to monitor sustainability-related initiatives:

Measure	2010 Target	2010 Results	2011 Target
Implement technology improvements	Complete releases 4.0 and 5.0 of the Auto Fund redevelopment project	● Release 4.0 implemented February 2010; Release 5.0 implemented June 2010	n/a
Reduce traffic fatalities and injuries per 100,000 Saskatchewan residents	Fatalities: 14.3 Injuries: 684.8	❍ Fatalities: 16.3 Injuries: 568.6	Fatalities: 13.6 Injuries: 671.0
Corporate image rating	Maintain a rating of 75%	● 80%	n/a

Legend: ● achieved ❍ did not achieve

Implement technology improvements

The Auto Fund redevelopment project was initiated in 2005 to update computer infrastructure to help improve operations and deliver enhanced products and services to customers. The five-year, $35 million project resulted in a system that is completely integrated, provides real-time processing and facilitates Internet transactions.

The project had two significant releases scheduled for 2010. Release 4.0 was implemented in February 2010 and included new applications for rating and processing vehicle registration transactions, a new AutoPay system, new applications for the Traffic Accident Information System (TAIS), an online application for scheduling driver tests and new reporting systems. Release 5.0 was implemented in June 2010 and provides customers with the ability to perform Auto Fund transactions using the Internet.

With all major releases complete, the Auto Fund redevelopment project will no longer appear on the balanced scorecard. The focus will shift to increasing use of the redeveloped system and ongoing upgrades to the system.

Reducing fatalities and injuries

Customers value the Auto Fund for its role in promoting traffic safety in the province. Over the years, SGI has evolved into a national leader in the area of road safety programs. The Auto Fund's traffic safety goals are simple and clear – prevent deaths and injuries due to traffic collisions by addressing driver, vehicle and road safety issues. However, fewer collisions also mean lower claim costs, so work in this area supports the goal of maintaining low rates.

The targets for this objective reflect the Auto Fund's long-term traffic safety strategy, which aims to reduce traffic fatalities and injuries per 100,000 Saskatchewan residents. In 2010, the Auto Fund did not meet its targets with 16.3 fatalities per 100,000 Saskatchewan residents, but did meet its target with 568.6 injuries per 100,000 Saskatchewan residents and continues to see a downward trend in the number of injuries reported.

The 2011 targets are to reduce traffic fatalities and injuries per 100,000 Saskatchewan residents to 13.6 and 671.0, respectively.

Corporate image rating

The corporate image rating measures overall customer perceptions by asking a representative sample of customers whether they have a positive or negative image of the Auto Fund. The Auto Fund's corporate image rating as of 2010 was a three-year rolling average of 80%, which exceeded the target of 75%. The corporate image rating will not appear on the 2011 balanced scorecard.

Financial health

Financial health is about protecting the financial viability of the Corporation. The Auto Fund achieves this by soundly managing its finances, seeking efficiencies and mitigating corporate risks.

The following table summarizes the key performance indicators in the balanced scorecard to monitor financial-related strategies:

Measure	2010 Target	2010 Results	2011 Target
Minimum Capital Test	MCT between 75% to 150%	● 124%	MCT between 75% to 150%
Manage administrative expenses	7.3% administrative expense ratio	❍ 7.6%	7.7%
Enhance enterprise risk management (ERM) process	Implement first phase of ERM	● Approval of first phase of ERM	n/a

Legend: ● achieved ❍ did not achieve

Minimum Capital Test (MCT)

An adequate balance in the Rate Stabilization Reserve (RSR) gives the Auto Fund a financial resource to draw on when adverse events increase the cost of claims, thereby protecting customers against unpredictable premiums for their auto insurance. The Auto Fund uses a common property and casualty industry measurement called the Minimum Capital Test (MCT) to monitor the adequacy of the RSR. The MCT is a risk-based capital adequacy formula that assesses risks to assets, policy liabilities and off-balance sheet exposures by applying various factors to determine a ratio of capital available over capital required.

The Auto Fund's target range for the MCT is between 75% and 150%, which equated to equity required of approximately $136.0 million to $300.4 million at December 31, 2010. The MCT and equity balance at December 31, 2010 were 124% and $242.7 million respectively.

The Auto Fund continues to have a target range for 2011 of 75% to 150%.

Manage administrative expenses

To ensure effective use of resources, the Auto Fund is expected to manage its allocated administrative expense budget such that it remains within its targeted administrative expense ratio. The ratio is total administrative expenses expressed as a percentage of net premiums earned. The actual administrative expense ratio is compared to budgeted ratios within the specified time period. For 2010, the Auto Fund did not achieve its target with a 7.6% administrative expense ratio. Administrative expense ratio analysis is discussed in more detail in the following 2010 Financial Results section. The target for 2011 is 7.7%.

Enhance enterprise risk management process

Given the nature of the insurance business, risk management is a particularly important objective. The Auto Fund has been actively identifying, managing and prioritizing its risks for several years. Issues such as quantifying risks using actuarial modelling techniques will be explored to determine the benefits of this evolving process in risk management. In 2008, the Auto Fund completed a gap analysis on the current process. In 2009, it developed an action plan for ERM, including components and a timetable for the first implementation phase. The first phase was implemented in 2010.

ERM will continue to be a focus in 2011, but will be removed as a measure on the balanced scorecard.

Capability to Execute Strategies

Fundamental to the capability to execute corporate strategies, manage key performance drivers and deliver results are employees, motor licence issuers, technology and systems, and capital and liquidity. They are discussed further below:

Employees

Auto Fund employees are experienced and knowledgeable about the Saskatchewan automobile insurance market. Many employees have been with the Saskatchewan Auto Fund for a long time, on average approximately 15 years, and the staff turnover rate for the

last five years has averaged 6%. Due to this long tenure and low turnover, employees have significant expertise in the core areas of the Auto Fund including licensing and registration, driver and vehicle safety services and claims handling, as well as within the support areas.

SGI, as the administrator of the Auto Fund, is projecting a significant level of retirements in the near future as a large portion of its workforce reaches retirement age. In fact, over 32% of employees are expected to retire or be eligible for retirement by 2018. The challenge is to recruit and retain the best people to ensure the longevity, growth and maintenance of operations. SGI utilizes a workforce-planning model that includes Aboriginal employment, youth employment, management development and expanded performance management strategies. This model assists in transitioning expertise as retirements occur.

On December 31, 2009, the three-year Collective Bargaining Agreement (CBA) between SGI and SGI CANADA Insurance Services Ltd., and the Canadian Office and Professional Employees' Union, Local 397 (COPE 397) expired. The bargaining committee is currently in negotiations with respect to reaching an agreement. This agreement applies to all in-scope employees at SGI. SGI has not had a work stoppage since 1948, and it will continue to work with COPE 397 to ensure that this record continues into the future.

Motor licence issuers

The Auto Fund provides accessibility for its customers by distributing products through a network of 410 independent motor licence issuers in 302 communities across Saskatchewan and seven branch offices throughout the province. Motor licence issuers' interests are represented by the Insurance Brokers' Association of Saskatchewan. The relationship between the Auto Fund and motor licence issuers is governed by an Issuer Accord. The accord is intended to enhance the working relationship resulting in improved service to customers. Included in the accord are 15 agreed upon principles, ranging from fostering better communication between both groups, recognizing the value of each other's roles to provide service to Saskatchewan people, along with partnering on traffic safety programs.

Technology and systems

The Auto Fund relies on its technology and information system to deliver products and services to the motoring public. A new system, developed over the past five years, was implemented in 2010 as planned. The new system provides flexibility to offer more choices for customers, provides better and more accessible information, allows the Auto Fund to respond more quickly to its customers and better positions the Auto Fund for future demands.

Capital and liquidity

As the Auto Fund belongs to the Province of Saskatchewan, its legislation restricts how it can raise capital and mandates the benefits it is to provide to policyholders. The Auto Fund does not pay dividends to or receive money from the province nor from SGI, the administrator of the Auto Fund. The Auto Fund cannot go to public capital markets to issue debt or common shares. Since these traditional avenues for capital are not available to sustain the Auto Fund, it uses premiums and fees from its operations, along with income generated from its investment portfolio, to fund future operations. If premiums, fees and investment income are not sufficient to sustain operations, it must increase rates. The Saskatchewan Rate Review Panel reviews rate changes and then passes on its recommendations to the provincial government, which has the final authority to approve, modify or reject rate changes.

A key operating principle for the Auto Fund is ensuring consistency and stability in rates so that customers are not subject to ongoing price fluctuations or large rate increases. An adequate balance in the Rate Stabilization Reserve (RSR) gives the Auto Fund a financial resource to draw on when adverse events increase the cost of claims or a decrease in capital markets occur, thereby protecting customers against unpredictable premiums for their auto insurance. The Auto Fund uses a common industry measurement called the Minimum Capital Test (MCT) to establish a target for the RSR. The MCT is a risk-based capital adequacy formula that assesses risks to assets, policy liabilities and off-balance sheet exposures by applying various factors to determine a ratio of capital available over capital required. The target for 2010 was a range between 75% and 150%, which equates to equity of approximately $136.0 million to $300.4 million at December 31, 2010. The Auto Fund had equity of $242.7 million at December 31, 2010 (2009 – $155.1 million).

The Auto Fund MCT for 2010 was 124%, within the target range of 75% to 150%. This represents an improvement from 83% at the end of 2009. The improvement in the MCT score is largely reflective of the markedly improved investment climate, as a significant portion of an insurance company's asset base is held in investments. The Auto Fund's investments, including money market investments classified as cash equivalent, were $1.4 billion at December 31, 2010 (2009 – $1.2 billion).

2010 Financial Results

For the year ended December 31, 2010

Overview

The Auto Fund generated an increase to the Rate Stabilization Reserve (RSR) of $68.4 million in 2010, compared to a $40.8 million decrease in 2009, for an improvement of $109.1 million year over year. This improvement is primarily from investment earnings, which were $69.0 million higher than 2009 and underwriting, which improved $33.6 million. Investment earnings were unusually high in 2010, and while the markets did improve during the year, much of this increase was attributable to realized gains on the sale of investments. Significant gains were taken later in the year as the portfolio weightings were transitioned to an asset liability matching strategy resulting in the sale of long-term bonds. The underwriting results improved largely due to improved current-year claim results, which saw an 87.8% loss ratio compared to 91.7% in 2009. This improvement is significant, given the unusually high storm costs experienced by the Auto Fund during the year.

With the $68.4 million surplus, the RSR increased to $142.3 million. The total equity of the Auto Fund also increased due to the significant market return on the investment portfolio, which is reflected within accumulated other comprehensive income (AOCI). The improvement in capital resulted in a Minimum Capital Test (MCT) at year end of 124%, compared to 83% at the end of 2009.

Statement of Operations

Premiums written

Overview

Net premiums written for 2010 totalled $708.4 million, representing an increase of 8.7% or $56.9 million, from 2009. The increase to vehicle premiums in 2010 reflects the strong Saskatchewan economy and is attributable to a newer vehicle base, in addition to continued growth in vehicle counts. The number of vehicle and trailer written exposures increased to 1,080,007 from 1,057,138 in 2009, which accounts for approximately 2.2% of the 8.7% increase in vehicle premiums. The 4.2% general rate increase was implemented effective November 1, 2009, and accounts for 3.5%, and the remaining 3.0% is primarily attributable to a mix of newer vehicles in the province.

Rate program

A rate program was not brought forward to the Saskatchewan Rate Review Panel in 2010. The 4.2% general rate increase in November 2009 resulted in an increase to premiums written in 2010 as the increase took effect only when vehicle owners renewed their insurance policy. Strong investment returns during the year also assisted in maintaining adequate capital levels in the RSR, thus not requiring a rate increase in the year.

Discount programs

The Safe Driver Recognition and Business Recognition programs continue to return more dollars to Auto Fund customers each year. In 2010, these programs returned $97.6 million to customers through safe driving discounts, compared to $89.4 million in 2009. Expressed as a percentage of vehicle premiums, this equates to an average discount of 12.3% for 2010 (2009 – 12.2%). The maximum discounts available under each program are 20% for the Safe Driver Recognition program and 10% for the Business Recognition program.

Claims incurred

Claims incurred in 2010 were $609.7 million, $9.2 million or 1.5% higher than 2009. The following table details the claim costs by categories:

	2010	2009	Change
Damage claims (current year)	$ 395,310	$ 385,197	$ 10,113
Injury claims (current year)	206,133	193,130	13,003
Damage prior year deficiency (redundancy)	(44,508)	3,432	(47,940)
Injury prior year deficiency (redundancy)	30,875	(790)	31,665
Indexing of prior year injury claims	21,863	19,463	2,400
Total claims incurred	$ 609,673	$ 600,432	$ 9,241
Loss ratio (current year)	87.8%	91.7%	(3.9%)
Total loss ratio	89.0%	95.2%	(6.2%)

Current year claim costs

Current year damage claims have grown by $10.1 million, or 2.6%, largely a result of summer storm activity and growth in the number of insured vehicles. Storm costs to the end of December were unusually high at $22.2 million, a sharp contrast to 2009, which saw no significant summer storm claims. The volume of damage claims is 98,927, up 4.7% from the prior year, primarily due to this storm activity. The number of damage claims per 1,000 insured years was 115.0 in 2010, compared to 111.8 in 2009.

Current year injury claim costs have increased by $13.0 million, or 6.7%, primarily due to significant inflationary increases on income replacement benefits, as the average cost per claim has increased 8.2%.

Development on prior year claim estimates

With the assistance of its actuary, the Auto Fund makes provisions for future payments on existing claims and an estimate for claims that have occurred but have not yet been reported. At the end of each year, the actuary recalculates the estimate of the ultimate costs for prior years (along with an estimate for the current year). If the actuary reduces the estimate for prior years, a redundancy exists, resulting in a reduction in claim costs for the year. If the reverse is true and the actuary increases the estimate for prior years, a deficiency exists, resulting in an increase in claim costs for the year. During 2010, the Auto Fund increased its estimate for prior year injury claims by $30.9 million (2009 – $790,000 decrease) and decreased its reserves for damage claims by $44.5 million (2009 – $3.4 million increase). The 2010 overall redundancy represented approximately 1.4% of the provision for unpaid claims estimate at December 31, 2009, of $961.2 million.

The Auto Fund has over 15 years of experience since the no-fault injury program was implemented in 1995 to estimate the cost of injuries. However, factors impacting future costs such as inflation, re-occurrence rates, medical innovations and rehabilitation programs are difficult to anticipate. The Auto Fund's objective is to keep the estimate as accurate as possible with minimal changes to prior year claim estimates; however, given the nature of this program, changes will inevitably occur in the future.

Expenses excluding claims incurred

Expenses excluding claims incurred were $138.2 million (2009 – $126.8 million) for the year, $11.4 million higher than 2009.

Issuer fees of $34.8 million in 2010 represented an increase of $3.5 million compared to 2009. This increase reflects 1.8% growth in the number of transactions by issuers, combined with a new remuneration plan implemented January 1, 2010. The issuer fee expense ratio was 5.1% in 2010 (2009 – 5.0%).

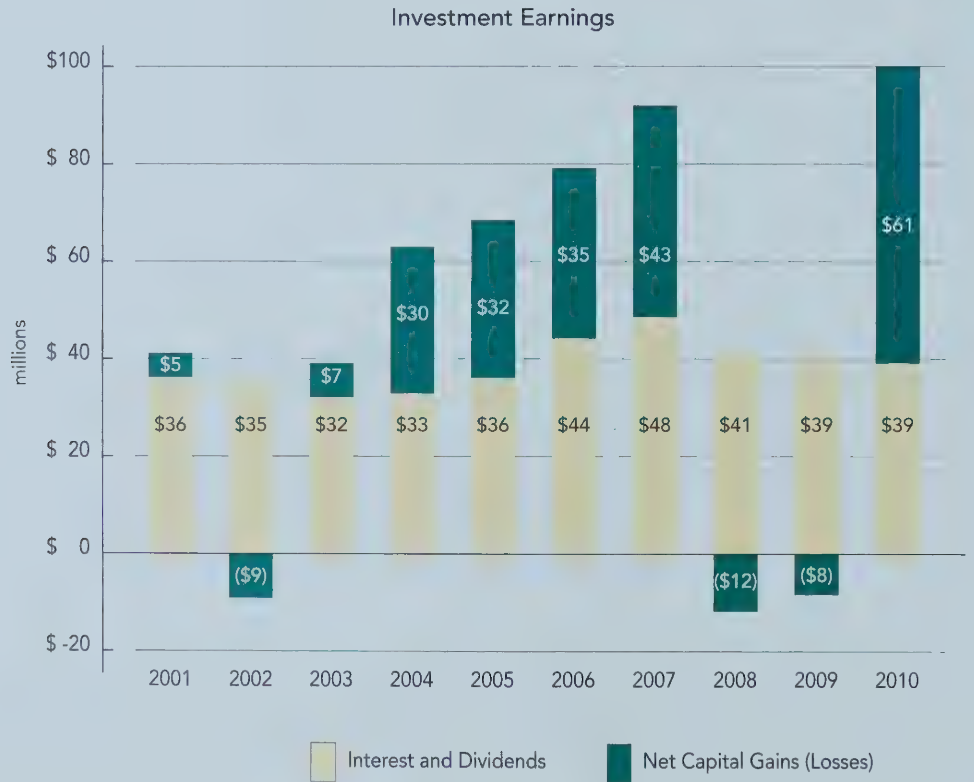
Premium taxes of $34.4 million were $2.7 million, or 8.6%, higher than the previous year, consistent with the growth in earned premiums. Premium taxes are 5% of direct premiums earned.

Administrative expenses increased to $51.7 million in 2010, an increase of $5.4 million from 2009. The major contributors to the growth were additional depreciation expense since implementing the Auto Fund redevelopment information system, post-implementation costs related to the redevelopment system, higher issuer credit card charges resulting from increasing customer use of credit cards and loss of a cost recovery related to driver's licence administration that the Auto Fund had received in 2009. Partially offsetting these expenditures was lower salary and benefit costs in the year.

Traffic safety program spending totalled $17.3 million, representing a traffic safety spending ratio of 2.5% of net premiums earned. This was a decrease of $120,000 from 2009, which had a traffic safety spending ratio of 2.8%.

Investment earnings

As the Auto Fund operates on a self-sustaining basis over time, investment earnings are used to help keep rates stable for vehicle owners. In 2010, investment earnings were $100.0 million and represented 12.3% of total revenues (2009 – $31.1 million or 4.5% of total revenues). These investment earnings are calculated using cost-based accounting principles, the components of which are disclosed in note 10 to the financial statements, and include interest, dividends, net realized capital gains and investment write-downs. The following chart shows the breakdown of investment earnings between interest and dividends, and net capital gains (losses) over the last 10 years.



Due to the strength of the capital markets and the success of the investment manager in selecting stocks, investment write-downs were a minor consideration in 2010. Securities previously in significant unrealized loss positions recovered strongly, resulting in only limited write-downs during the year, totalling $1.3 million for 2010 (2009 – $10.2 million). Of note for 2010 is the large increase in gains realized on the sale of investments, reversing the trend of the last few years. Gains are dependent on investment market conditions and trading activity of the investment manager. Improving economic fundamentals created a positive environment for equity markets, while continued low interest rates produced strong bond results. The Canadian equity market again led the strong performance driven by gains in commodity stocks.

Asset Class	Benchmark Index	Annual index returns ending December 31 (%) 2010	2009
Canadian equities	S&P/TSX Composite	17.6	35.1
U.S. equities	S&P 500 ($C)	9.1	7.4
Non-North American equities	MSCI EAFE ($C)	2.1	11.9
Bonds	DEX Universe Bond	6.7	5.4
Short-term bonds	DEX Short-term Bond	3.6	4.5

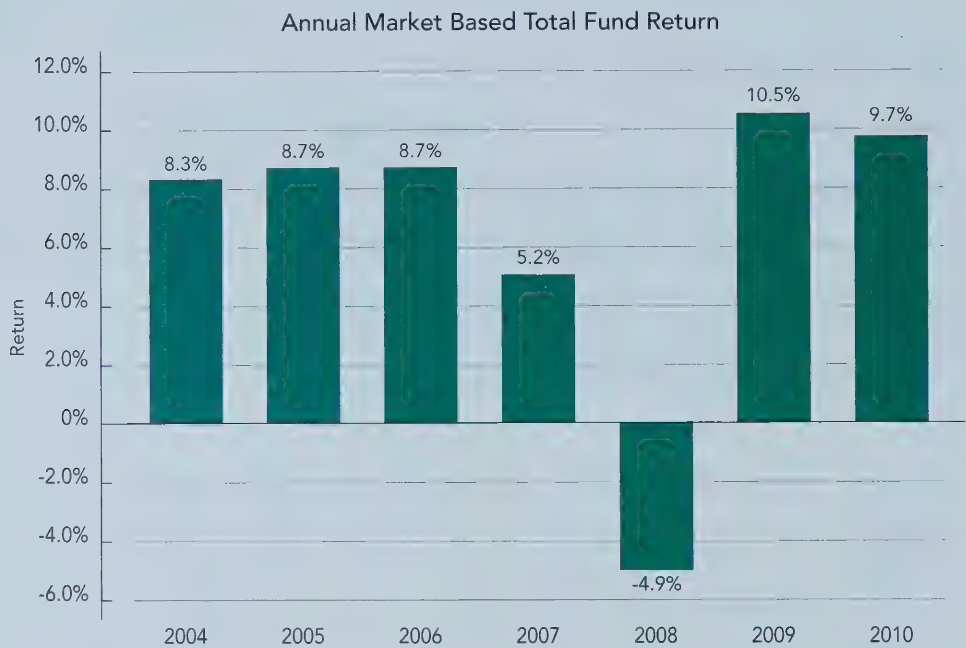
Equity market gains in 2010 were widespread with the TSX Composite Index increasing 17.6%, the S&P 500 rising 15.1% (9.1% in Canadian dollar terms) and non-North American equities, the EAFE Index, rising 4.8% in aggregate local currency terms (2.1% in Canadian dollar terms). While foreign equities markets were strong during 2010, the corresponding increase in the Canadian dollar limited gains for Canadian investors.

For purposes of portfolio management, a market-based result is calculated that captures all interest and dividend income, as well as the impact of the change in market value of securities, both realized and unrealized. In 2010, the portfolio's market-based return was 9.7% compared to a 10.5% return in 2009. Although the return in 2010 was lower than experienced in 2009, the strong performance was a result of large positive returns in each of Canadian and U.S. equities as well as fixed income.

Investment policy changes, implemented to better match investment assets to the expected liability cash flows and to reduce interest rate risk, resulted in the Auto Fund investment portfolio separating into two distinct portfolios during the year. The Matching Portfolio now holds the fixed income assets and mortgage securities, while the Return Seeking Portfolio is comprised of equities and real estate. Going forward, investment earnings and the measurement of rates of return will be monitored separately for each portfolio. The Matching Portfolio is to be judged on its effectiveness in matching the incoming cash flows from the fixed income assets to the Auto Fund's claims liability structure, while the Return Seeking Portfolio will continue to be measured against appropriate investment return benchmarks.

The primary investment performance objective for the Return Seeking Portfolio is to earn a market-based return in excess of a benchmark portfolio return. The asset mix for the benchmark portfolio is set by SGI's Board of Directors to be consistent with the Auto Fund's overall risk profile when combined with the Matching Portfolio, and is reviewed on an annual basis. The investment manager is permitted to vary the actual asset class weights around the benchmark portfolio, within the policy asset mix guidelines. The benchmark portfolio return is calculated by applying the benchmark portfolio weights to capital market index returns. While the portfolio's rate of return is compared to the benchmark portfolio return on a quarterly basis, the performance measure is expected to be met over four years, a long enough period to capture a full market cycle. This long-term measure is appropriate as it recognizes that the effectiveness of investment management styles varies depending on the market environment.

Performance relative to the benchmark portfolio varies from year to year, but over rolling four-year periods, investment performance remains satisfactory. Given that the Return Seeking Portfolio was established in October 2010, long-term performance is not available. An overall total return for the Auto Fund is shown below, however, given the investment policy changes, a comparison to a total fund portfolio benchmark return is no longer available.



Other income

Other income consists of fees charged to insureds for utilizing the AutoPay and Short-Term payment option programs, as well as salvage operations income. In 2010, other income of $31.4 million was $6.5 million higher than 2009. Fees earned for using payment option plans totalled $20.0 million, an increase of $2.6 million (2009 – $17.4 million). The increase is primarily due to increases in premiums, as the overall proportion of premiums financed through the payment option programs remained at 60%, consistent with 2009. Salvage operations income of $9.8 million (2009 – $7.5 million) is $2.3 million higher than the prior year, a result of higher sales volumes and improved margins due to higher pricing, better steel prices and improved salvage dismantling processes.

Statement of Operations – Actual versus Budget

The Auto Fund prepares an annual budget each fall for the upcoming fiscal year. The plan is developed using long-term averages combined with known and expected information for the upcoming year.

The Auto Fund's 2010 budget, developed in the fall of 2009, anticipated a profit of $329,000. The actual 2010 increase to the RSR was $68.4 million, $68.0 million higher than budgeted. The most significant contributing factor was higher than budgeted investment earnings.

Premiums written of $708.4 million in 2010 were $6.8 million lower than budget, primarily due to lower than expected growth in policies. Premiums earned of $684.8 million were effectively on budget, just $522,000 (0.08%) lower than planned.

Claim costs were $6.9 million (1.1%) lower than budgeted. The overall loss ratio of 89.0% is comparable to the budgeted loss ratio of 90.0%.

Investment earnings were $100.0 million, which was $57.5 million higher than planned, a result of realized gains being $49.1 million higher than expected. Significant gains were taken later in the year as the investment portfolio was transitioned to an asset liability matching strategy.

Statement of Comprehensive Income

(thousands of $)	2010	2009	Change
Increase (decrease) to Rate Stabilization Reserve	$ 68,352	$ (40,754)	$ 109,106
Other comprehensive income	19,320	87,627	(68,307)
Total comprehensive income	$ 87,672	$ 46,873	$ 40,799

Comprehensive income is the sum of net income and other items that must bypass the statement of operations because they have not been realized (other comprehensive income or loss). For the Auto Fund, this includes unrealized gains and losses from available for sale investments. These unrealized gains and losses are not part of net income, yet are important enough to be included in comprehensive income, giving the user a more comprehensive picture of the organization as a whole.

Operations during 2010 resulted in an increase to the RSR of $68.4 million, however comprehensive income was $87.7 million due to a $19.3 million increase in unrealized gains on investments.

Statement of Cash Flows

(thousands of $)	2010	2009	Change
Operating activities	$ 84,515	$ 55,000	$ 29,515
Investing activities	(9,962)	(50,828)	40,866
Net cash flow	$ 74,553	$ 4,172	$ 70,381

Operations contributed $29.5 million more cash than the prior year, a result of the growth in premiums written, partially offset by higher claims paid than in 2009.

Investing activities used net cash of $10.0 million, $6.6 million of which was invested in the investment portfolio. In addition, there was $4.4 million of property, plant and equipment purchases primarily related to building renewal and some furniture and equipment. Further, there was $2.5 million of capitalized development costs for the Auto Fund redevelopment project in the earlier part of the year. Offsetting these were cash proceeds of $2.7 million generated from the sale of the Henderson Drive location.

Cash and cash equivalents increased by $74.6 million during the year to $80.3 million at the end of 2010. Of this balance, $73.5 million (2009 – $5.6 million) was invested in money market investments with a maturity of 90 days or less from the date of acquisition. This balance grew significantly during the year as a result of the investment manager using money market investments to match near-term liabilities in accordance with the new asset liability matching strategy.

Statement of Financial Position

(thousands of $)	2010	2009	Change
Total assets	**$1,646,070**	**$1,486,243**	**$ 159,827**
Key asset account changes:			
Investments	1,311,231	1,225,507	85,724
Accounts receivable	165,149	164,400	749
Cash and cash equivalents	80,286	5,733	74,553
Other assets	22,726	26,316	(3,590)

Investments

The carrying value of investments increased by $85.7 million during the year, primarily a result of investing net operating cash flows of $6.6 million, in addition to an $80.7 million improvement in market values. At December 31, 2010, investments include net unrealized gains of $85.8 million. This consists of investments with unrealized gains of $101.1 million, less investments with unrealized losses of $15.3 million. The unrealized gains at December 31, 2010, are primarily related to common shares, pooled real estate and bonds, while the largest unrealized loss was related to the non-North American pooled equity fund.

The investment portfolio is held to pay future claims, while the income earned on these investments helps reduce insurance rates for vehicle owners. The portfolio's asset mix strategy is set by the Board of Directors through a detailed assessment of the Auto Fund's risk tolerance. In summary, the Auto Fund's positive cash flows and the presence of the Rate Stabilization Reserve, which serves to buffer the fund from short-term unfavourable investment performance, permits the Auto Fund to maintain a long-term investment horizon. The asset mix strategy takes into consideration the current and expected conditions of the capital markets and the historic return and risk profile of various asset classes. In order to achieve the long-term investment goals, the Auto Fund must invest in asset classes that provide an attractive risk-return profile over the medium to long-term. Over shorter periods, however, performance of these asset classes can be volatile. In 2010, volatility continued, although at a lower rate, with positive gains building on the strong reversal that was experienced in 2009. The Auto Fund investment portfolios will continue to hold a diversified asset mix and a longer-term focus, balancing the need for capital preservation in the short term with the desire for portfolio growth over the longer term.

The asset mix strategy is formally documented in the Statement of Investment Policies and Goals. In addition to capturing the asset mix strategy, this document provides guidance on permissible investments, quality and quantity guidelines, conflicts of interest, related-party transactions and investment performance expectations, among others. Management monitors and enforces compliance with the investment policy. No material compliance deviations were noted in 2010.

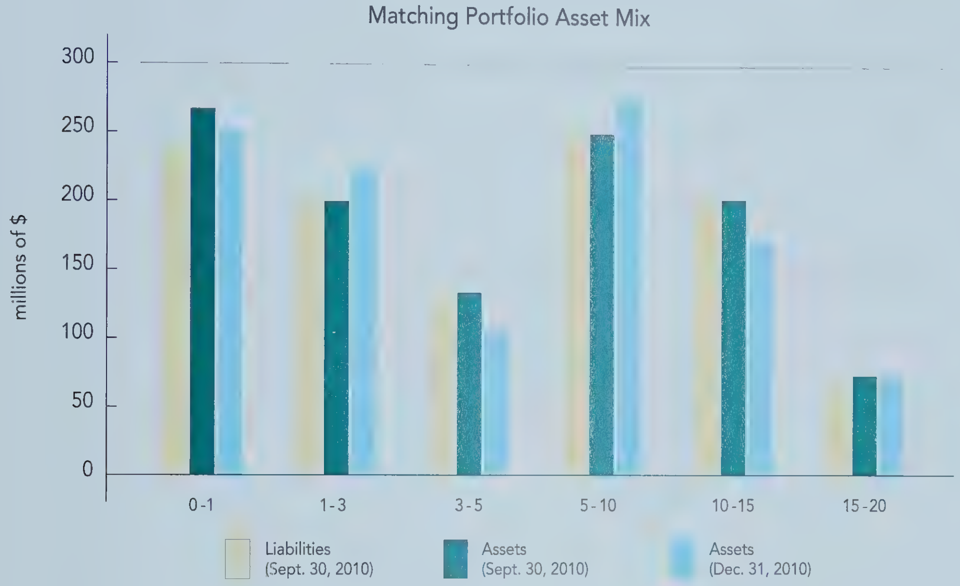
The Auto Fund's investment portfolio is managed by external investment managers. The portfolio is comprised of short-term investments, bonds and debentures, equities, mortgages and real estate. Equities include investments in Canadian and United States common shares as well as an investment in a non-North American pooled equity fund. Real estate includes investment in a pooled real estate fund. More detail on the investment portfolio categories is provided in note 5 to the financial statements.

Investment policy changes, implemented to better match investment assets to the expected liability cash flows and to reduce interest rate risk, resulted in the Auto Fund investment portfolio separating into two distinct portfolios during the year. The Matching Portfolio now holds the fixed income investments including mortgage securities, while the Return Seeking Portfolio is comprised of equities and real estate. The new strategy relies on the Matching Portfolio to cover expected liability payments out to approximately 20 years with any remaining long-tail liabilities covered by the Return Seeking Portfolio.

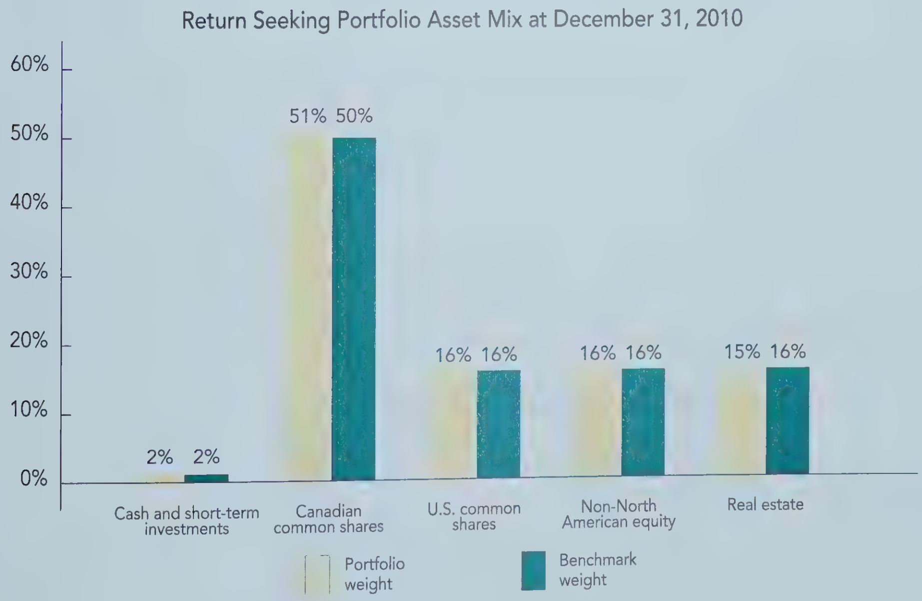
The objective of the Matching Portfolio is to group claim payments into six buckets based on the expected payment date and then match the coupon and principal payments from the fixed income assets to each bucket. At initiation, the expected future liability stream and asset stream will demonstrate a close match. However, as bonds mature and actual claim payments vary from projection, the asset liability match will change. In conjunction with the Auto Fund's mid-year actuarial valuation, the asset cash

flows are realigned to the revised liability cash flows to ensure a close match is maintained. From time to time, the allocation between the Matching Portfolio and Return Seeking Portfolio may also require rebalancing to maintain the overall risk-return objectives of the combined portfolio.

The liability cash flows at initiation as well as the Matching Portfolio asset position as of September 30, 2010, and December 31, 2010, are shown below:



While the equity and real estate weights are high within the Return Seeking Portfolio, on a total portfolio basis, the relative weightings of equities and real estate did not change during 2010. The portfolio asset mix and benchmark weights at December 31, 2010, are shown below:



There were no other material changes to the investment policy in 2010.

Accounts receivable

Accounts receivable increased $749,000, largely a result of the AutoPay receivable growing by $12.0 million, or 8.7%, to $149.3 million. The increase is commensurate with the growth in premiums written. Offsetting this increase is the change in investment proceeds receivable of $9.9 million related to investment transactions in progress. There were no investment transactions in progress over the 2010 year end and $9.9 million was outstanding at the end of 2009.

Cash and cash equivalents

Cash and cash equivalents at December 31, 2010, were $80.3 million (2009 – $5.7 million), an increase of $74.6 million. The sources of the change in cash and cash equivalents for the year are discussed in the above section, Statement of Cash Flows. Cash equivalents consist of money market investments such as treasury bills, banker's acceptances, discount notes or other liquid short-term investments that have a maturity of 90 days or less from the date of acquisition.

Other assets

Other assets decreased by $3.6 million during the year, primarily due to a decline in intangible assets. The capitalized cost of the Auto Fund redevelopment project is included in intangible assets and declined in 2010 as the project was completed early in the year and, therefore, had lower capitalized development costs and higher amortization expenses.

(thousands of $)	2010	2009	Change
Total liabilities	**$1,403,338**	**$1,331,183**	**$ 72,155**
Key liability account changes:			
Provision for unpaid claims	1,011,069	961,236	49,833
Unearned premium	325,169	305,893	19,276

Provision for unpaid claims

The provision for unpaid claims grew by $49.8 million during 2010 to $1.011 billion (2009 – $961.2 million). This represents an increase of 5.2% from last year. Key components of the change in the provision for unpaid claims are discussed in the preceding section, Claims incurred, on page 33. The majority of the increase is in unpaid injury collision benefits and is due to the continuing growth of the no-fault program as an additional year of losses is included in the provision, in addition to the prior year injury claim deficiency noted above.

This liability reflects the estimated ultimate costs of claims reported but not settled, along with claims incurred but not reported. The process for determining the provision requires management judgment and estimation as discussed in the Critical Accounting Estimates section on page 45.

Unearned premiums

Unearned premiums increased $19.3 million, or 6.3%. This increase is slightly lower than the increase in premiums written of 8.7%. This is primarily due to the slower growth in premiums written in the fourth quarter compared to the prior year.

(thousands of $)	2010	2009	Change
Equity	**$ 242,732**	**$ 155,060**	**$ 87,672**
Key equity account changes:			
Rate Stabilization Reserve	142,254	67,211	75,043
Accumulated other comprehensive income	85,825	66,505	19,320
Redevelopment Reserve	14,653	21,344	(6,691)

Overall, equity increased $87.7 million during the year, a result of the increase to the RSR from operations and an increase to accumulated other comprehensive income.

Rate Stabilization Reserve (RSR)

The increase to the RSR was a result of the $68.4 million increase from operations, combined with a $6.7 million appropriation from the Redevelopment Reserve. The appropriation from the Redevelopment Reserve offsets the redevelopment expenditures charged through current year operations. These charges are primarily depreciation, and salaries and benefits in the first part of the year.

Accumulated Other Comprehensive Income (AOCI)

AOCI represents the unrealized gains or losses recorded on investments. The balance in 2010 grew to $85.8 million, an increase of $19.3 million. This increase is primarily a result of an $80.7 million increase in market values during the year offset by $62.7 million of net realized gains during the year.

Redevelopment Reserve

A Redevelopment Reserve is in place to ensure that adequate funding is available to meet the Auto Fund's commitment to redevelop its information system. During 2010, costs incurred relating to the project were $6.7 million (2009 – $5.4 million); therefore, the reserve was reduced accordingly with $6.7 million (2009 – $5.4 million) appropriated back to the RSR.

The Redevelopment Reserve was originally established at $35.0 million, as the project cost was not to exceed this amount. The project was completed at the end of 2010. It addressed the antiquity of the previous systems, makes improvements in delivering changes, offers more choices for customers, provides better and more accessible information, and better positions the Auto Fund for future demands. The remaining balance in the Redevelopment Reserve will be reduced and appropriated back to the RSR as the capitalized cost of the project is depreciated in the future.

For the three months ended December 31, 2010

The Auto Fund prepares public quarterly financial reports for the first three quarters of each year. These reports are available on SGI's website at www.sgi.sk.ca. Click on the About SGI link and then click on Quarterly Reports. The following analyzes the fourth quarter of 2010:

The Auto Fund recorded a fourth quarter increase to the RSR of $39.6 million compared to a decrease of $17.1 million in the fourth quarter of 2009. The improved results in the fourth quarter compared to 2009 was primarily the result of improved underwriting results and investment earnings.

The improvement in underwriting results in the fourth quarter of 2010 was primarily the result of lower claims incurred. Claims incurred for the quarter of $152.7 million were $20.3 million lower than the fourth quarter in 2009 ($173.0 million), as the majority of the prior year decrease to the provision for unpaid damage claims, noted earlier, was recorded in the fourth quarter. In addition, the fourth quarter of 2009 experienced high damage claims incurred due to bad driving conditions in December.

Investment earnings of $45.9 million were significantly higher than the investment income of $19.2 million in the fourth quarter of 2009. The increase in investment earnings is primarily due to significant gains realized on the sale of investments during the fourth quarter of 2010.

Quarterly Financial Highlights

The following table highlights quarter over quarter results of the Auto Fund:

Quarterly Financial Highlights
(thousands of $)

	2010					2009				
	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1	Year
Net premiums earned	$ 176,367	$ 177,570	$ 173,499	$ 157,385	**$ 684,821**	$ 162,298	$ 166,150	$ 155,802	$ 146,309	**$ 630,559**
Claims incurred	152,709	176,602	147,674	132,688	**609,673**	173,022	152,932	126,388	148,090	**600,432**
Increase (decrease) to RSR	39,583	(541)	12,237	17,073	**68,352**	(17,114)	(3,222)	14,604	(35,022)	**(40,754)**
Cash flow from (used in) operations	18,504	35,770	75,153	(44,912)	**84,515**	19,234	34,915	42,381	(41,530)	**55,000**
Investments	1,311,231	1,322,478	1,220,479	1,182,221		1,225,507	1,195,214	1,124,574	1,049,213	
Provision for unpaid claims	1,011,069	1,023,307	980,712	958,351		961,236	936,766	906,080	911,495	
Rate Stabilization Reserve	142,254	101,338	100,522	86,646		67,211	82,644	84,392	68,706	

The following points are intended to assist the reader in analyzing trends in the quarterly financial highlights for 2010:

- Premium earnings generally rise in the spring and summer months, largely a factor of increased premiums related to seasonal vehicles.
- Except for the first quarter, the Auto Fund typically generates positive cash flows from operations each quarter. Cash is usually low in the first quarter as annual premium taxes are paid to the province in March. Premium taxes are based on premiums written and were $34.4 million in 2010.

Impact of New Accounting Standards

Future accounting standard changes

In February 2008, the Canadian Institute of Chartered Accountants Accounting Standards Board confirmed that publicly accountable enterprises, including the Auto Fund, will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian generally accepted accounting principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures. The Auto Fund is considered to be a government business enterprise and therefore it is proceeding with the adoption of IFRS. The Auto Fund will publish its first financial statements prepared in accordance with IFRS for the quarter ending March 31, 2011, along with comparative figures. The Auto Fund will also provide an opening balance sheet as at January 1, 2010, the date of transition to IFRS.

SGI has an IFRS conversion project ongoing that began with the development of a high-level IFRS implementation plan. The plan includes stakeholder identification, milestones and deadlines, planned scope and approach, risks and mitigations, project governance, accountability responsibilities and resource requirements. A steering committee is in place that includes senior-level management, who have the responsibility to ensure the project is adequately planned in sufficient detail, appropriate resources are available, necessary milestones are established and project progress is properly monitored. An external advisor has been engaged to assist with the conversion project. Regular reporting is provided by the project team to senior management, the steering committee and the Audit and Finance Committee of the Board of Directors.

The IFRS conversion project is progressing on schedule, in accordance with the plan. The project consisted of four phases: Project Initiation and Initial Assessment, Detailed Assessment, Design and Execution. SGI is currently in the Execution phase, which will be considered complete upon the presentation of the December 31, 2011, financial statements to the Audit and Finance Committee of the Board of Directors during the first quarter of 2012.

The Initial Assessment, completed in the first quarter of 2009, provided insight as to the most significant differences applicable to the Auto Fund, which include insurance contract classification and measurement, first-time adoption, financial instruments, property, plant and equipment, employee future benefits, provisions and leases, as well as the more extensive presentation and disclosure requirements under IFRS.

During the Detailed Assessment, IFRS accounting policies and transitional elections were selected and any information technology system requirements were identified. This phase of the project was substantially completed by December 31, 2009.

Set out below is a reconciliation of total equity from Canadian GAAP to IFRS as of the Auto Fund's transition date, January 1, 2010, followed by an explanation of each adjustment.

(thousands of $)	Rate Stabilization Reserve	Redevelopment Reserve	Accumulated Other Comprehensive Income	Total Equity
Adjusted balance as at January 1, 2010 (Canadian GAAP)	$ 67,211	$ 21,344	$ 66,505	$ 155,060
Auto Fund constructive obligation	(5,868)	–	–	(5,868)
Property, plant and equipment	(2,489)	–	–	(2,489)
Investments – reclassification	66,505	–	(66,505)	–
Provision for unpaid claims – discounting	47,059	–	–	47,059
Total adjustments	105,207	–	(66,505)	38,702
Balance as at January 1, 2010 (IFRS)	$ 172,418	$ 21,344	$ –	$ 193,762

Employee benefits and constructive obligation

While the Auto Fund does not have its own pension plan, SGI, as administrator of the Auto Fund, allocates a portion of its retirement benefit costs associated with its defined benefit pension plan and defined benefit service recognition plans to the Auto Fund for those employees of SGI who provide service to it.

SGI plans to utilize an election to recognize all cumulative actuarial gains and losses existing at the date of transition immediately in retained earnings. In addition, vested past service costs are required to be expensed immediately under IFRS, whereas these costs were deferred and amortized under Canadian GAAP. This change in accounting policy will also result in an adjustment at the date of transition through retained earnings.

The Auto Fund is considered to have a constructive obligation to SGI related to its allocation of retirement benefit costs. As the above-noted employee benefit adjustments arise from events and transactions before the date of transition to IFRS, they have been recognized directly in retained earnings. The impact to the Auto Fund at January 1, 2010, is a decrease to the RSR of $5,868,000.

Property, plant and equipment

An IFRS 1 election is available, which allows property, plant and equipment, upon transition, to be recorded at fair value. Property, plant and equipment would otherwise be restated at cost less depreciation under IFRS. The exemption can be applied on an asset-by-asset basis. The Auto Fund does not plan on utilizing this exemption upon adoption of IFRS. Depreciating the significant components of the building separately over their estimated useful lives, as required under IFRS, resulted in a decrease in the RSR and property, plant and equipment of $2,489,000 as at January 1, 2010.

Financial instruments

The Auto Fund plans to utilize the IFRS 1 election that allows it to change the designation of its financial instruments upon transition to IFRS. Upon transition, all investments are planned to be designated as fair value through profit and loss rather than their current designation as available for sale. This will result in changes in unrealized gains and losses on investments being recognized in the statement of operations, rather than through other comprehensive income. This accounting policy change results in an increase to the RSR of $66,505,000 and an offsetting decrease to accumulated other comprehensive income at January 1, 2010.

Insurance contracts

The Auto Fund plans to utilize the IFRS 1 exemption, which allows the Auto Fund to disclose only five years of data in its loss development tables, consistent with the transitional provision of IFRS 4, Insurance Contracts. The disclosure will be increased in each subsequent year, until a full 10 years of information is included.

Under Canadian GAAP, the Auto Fund did not discount its provision for unpaid claims for all lines of business. In transitioning to IFRS, the Auto Fund is changing this policy to discount the provision for unpaid claims for all lines of business. At January 1, 2010, the impact to the RSR of adopting full discounting is an increase of $47,059,000.

Leases

The Auto Fund plans to utilize the IFRS 1 exemption with regards to determining if an arrangement contains a lease. This exemption eliminates the requirement for the Auto Fund to reassess the determination of whether an arrangement contains a lease at the date of transition if the conclusion reached under Canadian GAAP is the same as the conclusion that would have been reached under IFRS.

Related-Party Transactions

The Saskatchewan Auto Fund is related in terms of common ownership to all Government of Saskatchewan ministries, agencies, boards, commissions, Crown corporations and jointly controlled and significantly influenced corporations and enterprises. Transactions with these entities are entered into in the normal course of business and are settled at prevailing market prices under normal trade terms. See note 15 to the financial statements for the details of these transactions. Details of other significant related-party transactions disclosed in the financial statements follow.

SGI is the administrator of the Saskatchewan Auto Fund on behalf of the Province of Saskatchewan. Administrative and loss adjustment expenses incurred by SGI are allocated to the Auto Fund directly or on the basis of specific distributions. Amounts incurred by SGI and charged to the Auto Fund were $119.1 million (2009 – $112.4 million).

The Auto Fund, as the lessor, has an interest in a capital lease in Prince Albert, Saskatchewan with the Ministry of Government Services, a provincial government ministry. This lease expires in April 2011. Further details of this lease are provided in note 7 to the financial statements.

An SGI Board member owns an organization that provides insurance services on behalf of the Auto Fund. Premiums written during the year from this organization amounted to $1.8 million (2009 – $1.7 million) and the associated accounts receivable at December 31, 2010 were $23,000 (2009 – $5,000). Issuer fees related to these premiums were $148,000 (2009 – $109,000). The above noted transactions are routine operating transactions in the normal course of business.

Off-Balance Sheet Arrangements

The Auto Fund, in its normal course of operations, enters into certain transactions that are not required to be recorded on its statement of financial position – commonly referred to as the balance sheet. These items include litigation, structured settlements and rehabilitation funding commitments. These items are discussed below and in the notes to the financial statements.

The Auto Fund, as is common to other entities that operate in the insurance industry, is subject to litigation arising in the normal course of insurance operations. The Auto Fund is of the opinion that current litigation will not have a material impact on operations, financial position or cash flows of the Auto Fund.

In the normal course of settling claims, the Auto Fund settles some long-term disability claims by purchasing structured settlements (annuities) from various financial institutions for its claimants. This is a common practice in the property and casualty industry. The net present value of the scheduled payments at December 31, 2010, was $21.5 million (2009 – $21.6 million). The Auto Fund has no recourse to these funds. The Auto Fund provides a financial guarantee to the claimant in the event of default by the financial institution on the payment schedule to the claimant. No default has occurred in the past on these payment schedules and the likelihood of such default is considered extremely remote.

The Auto Fund has contractual obligations to provide funding to Saskatchewan health organizations to provide for rehabilitative services for those injured in automobile collisions. Funding commitments, which are detailed further in note 17 to the financial statements, range between $10.5 million and $20.3 million per year over the next five years.

Critical Accounting Estimates

This discussion and analysis of financial condition and results of operations is based upon financial statements as presented in this annual report. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) as recommended by the Canadian Institute of Chartered Accountants. Significant accounting policies are described in note 2 to the financial statements. Some of these policies involve critical accounting estimates because they require SGI, as the administrator, to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

The development, selection and application of key accounting policies, and the critical accounting estimates and assumptions they involve, have been discussed with the Audit and Finance Committee of the Board of Directors, and the Audit and Finance Committee has reviewed the disclosures described in this section. The most significant critical accounting estimates involve the provision for unpaid claims and impairment of investments.

Provision for unpaid claims

A provision for unpaid claims is maintained to cover the estimated ultimate liability for losses and loss adjustment expenses for reported claims and claims incurred but not yet reported at the end of each accounting period. The initial provision is determined on the reported facts filed with the claim, and then revised regularly as more information on the claim becomes known. The provision does not represent the exact calculation of the liability owing to claimants, but is an estimate developed using Canadian accepted actuarial practices and Canadian insurance regulatory requirements. The estimate reflects an expectation of the ultimate cost of settlement and administration of claims. It involves an assessment based on the facts and circumstances of the events reported in the claim, experience with similar claims, historical trends involving claim payments, claim severity, the effect of inflation on reported and future claims, court decisions and the time frame anticipated to settle and pay the claim.

This provision is refined on a continual basis as prior fiscal year claims are settled and additional claims are reported and settled. There may be significant time delays from the occurrence of the insured event and when it is reported. If this occurs near the year-end date, estimates are made as to the value of these claims based on information known at that time. As well, uncertainty exists for reported claims that are not settled, as all necessary information may not be available.

Thus, with the level of uncertainty involved in the claim process, until the final settlement occurs, current reserves may not be sufficient. As permitted by Canadian GAAP, only long-term disability claims included in this provision are discounted. Any adjustments to these estimates, both positive (a redundancy or excess) and negative (a deficiency) are included in the provision for unpaid claims and are reflected as claims incurred in the current year's Statement of Operations.

Impairment of investments

When the market value of an investment falls below its cost, accounting standards require an assessment of whether the impairment in value is temporary or other than temporary. If it is determined that the impairment is other than temporary, the investment must be written down to market value. Management performs a quarterly analysis of investment holdings to determine if declines in market value of a particular investment are other than temporary. This analysis includes:

- Identifying all security holdings in an unrealized loss position that have existed for at least 12 months.
- Evaluating the size of the loss, both in percentage and absolute dollar terms relative to the market outlook for the security.
- For debt securities, evaluating the credit ratings from third-party security rating agencies or evaluating any change in payments on the security.

Investments are written down to market value if it is determined that the loss is other than temporary, or if the investment manager has plans for disposition of the security in the near term.

Risk Management

Risk management is a process for recognizing and addressing risks that could affect the achievement of corporate objectives. On an annual basis, management reviews the key risks faced by the Auto Fund by identifying specific risk events and their potential impact on operations, finances and reputation. Each risk event is rated based on the likelihood of the event occurring and severity of the consequences if it did occur, both before and after the application of potential mitigations.

The above process results in a risk profile for the Auto Fund, which is reviewed by the Risk Committee of the Board of Directors. SGI's Audit Services department also uses the risk profile in developing its annual work plan, which provides an assurance component to the Auto Fund's risk management process.

The following risks represent the most serious threats to the Auto Fund. Failure to manage any of these risks could lead to significant operational, financial or reputational damage. The nature of these risks, along with efforts to mitigate them, is summarized below.

Significant privacy breach

Risk: Personal information held by the Auto Fund for a large number of customers is lost, accessed or disclosed to an unauthorized party, resulting in adverse legal, regulatory and financial consequences, as well as a loss in confidence by customers and the shareholder.

Mitigation: Specific guidelines on how to handle personal information have been developed. To improve employees' awareness of corporate privacy obligations, online privacy training and the annual sign-off of the Code of Ethics and Conduct and the Confidentiality and Non-Disclosure Agreement is required for all staff. SGI has also implemented payment card standards that do not allow the retention of electronic customer credit card information and minimizes the exposure for paper-based sources. In 2009, the Corporation began conducting privacy audits in areas that handle customer information, and continues to work on the development of administrative, physical and technical safeguards to reduce the likelihood and magnitude of a privacy breach.

Transfer and acquisition of expertise

Risk: SGI is unable to build and maintain the knowledge, skill and experience within the organization's workforce needed to thrive now and in the future, resulting in lower productivity, higher operating costs, and higher health and safety concerns from over-worked employees. Challenges include retirements, recruitment of qualified personnel in a tight labour market, and the need to support an analytical culture.

Mitigation: SGI has implemented a number of programs in this area, including competency-based recruitment, mentoring programs and the monitoring of workplace engagement and strategic clarity through employee surveys. A corporate learning strategy was created in 2008 to grow people talent in support of a high-performing organization, and SGI has devoted additional resources to training and development. SGI's succession planning process focuses on (i) ensuring current senior management positions have backups, and (ii) identifying high-performing staff who have potential for more senior roles.

Systems security

Risk: The security of SGI's systems is compromised by a virus attack, system breach or unauthorized access to confidential or sensitive information by internal or external parties, resulting in significant financial and reputational damage.

Mitigation: SGI created an Information Technology Security Policy in 2009 which includes corporate standards for user access (including remote and external vendor access), passwords, physical security and wireless networks. Antivirus, email filtering, firewalls and intrusion monitoring are used, and the Corporation has a formal disposal process for all systems hardware. SGI has also developed incident response procedures to decrease the severity of a breach, should one occur.

Leadership

Risk: Poor strategic planning, poor communication or a lack of integrity or ethical behaviour lead to low morale and staff engagement, as well as declining revenue and profitability.

Mitigation: SGI's purpose and ideals are defined clearly in the corporate vision and values statements, and the Corporation promotes leadership and customer service in its training programs. The corporate commitment to privacy and ethical behaviour is reinforced through the annual review and sign-off by all employees of the Code of Ethics and Conduct. The 2011-15 strategic plan was developed with the feedback of employees and other stakeholders, and provides a detailed plan for the future of the Corporation.

Market value losses

Risk: Significant fluctuations in market values or a failure to apply the Investment Policy leads to losses on investment portfolios, reducing investment earnings and capital bases.

Mitigation: Investment portfolio management is governed by the Statement of Investment Policies and Goals (SIP&G), which sets out specific investment quality and quantity guidelines that are in line with industry standards defined by The Insurance Companies Act (Canada). The SIP&G is reviewed annually by the Investment Committee of SGI's Board of Directors, to ensure portfolio risk is acceptable based on both historical and forward-looking volatility. Portfolios are monitored externally by the investment consultant and custodian to ensure compliance with policy guidelines and investment performance standards.

Outlook for 2011

The Auto Fund continues to experience premium growth attributable to a newer vehicle population and growth in vehicle counts. This trend is expected to continue as the Saskatchewan economy remains strong. While 2010 was a relatively good claims year, especially considering the unusually high storm activity, there is inherent unpredictability associated with claim costs. With more vehicles on the roads, the number of claims is expected to rise. In addition, rising wages in the province contribute to increasing labour rates paid to autobody shops and higher income replacement benefits for injured persons. A general 4.2% rate increase approved by the Saskatchewan Rate Review Panel and implemented in late 2009 addressed the rising costs, and these costs will be monitored going forward.

The Auto Fund also benefited from strong investment market returns in 2010. However, as evidenced over the past three years, significant variability can occur in investment returns. To protect the Auto Fund from an expected rise in interest rates as the world economy continues its recovery, the fixed income portfolio was restructured in 2010 to match the claim liability cash flows. This asset liability matching strategy will assist with mitigating the overall impact of interest rate risk by matching investment returns with the anticipated change in long-term claim costs.

Heading into 2011 and beyond, the Auto Fund is adequately capitalized and well positioned to serve its growing customer base. Guided by a new strategic direction, the Auto Fund will drive forward to be a company where our customers, employees, owners and business partners across Canada are proud to do business and work with us.

Responsibility for Financial Statements

The financial statements are the responsibility of Management and have been prepared in conformity with accounting principles generally accepted in Canada. In the opinion of Management, the financial statements fairly reflect the financial position, results of operations and cash flows of the Saskatchewan Auto Fund (the Auto Fund) within reasonable limits of materiality.

Preparation of financial information is an integral part of Management's broader responsibilities for the ongoing operations of the Auto Fund. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statement The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An actuary has been appointed by the Auto Fund to carry out a valuation of the policy liabilities in accordance with accepted actuarial practice and common Canadian insurance regulatory requirements. The policy liabilities consist of a provision for unpaid claim and adjustment expenses on the earned portion of policies and of future obligations on the unearned portion of policies. In performing this valuation, the actuary makes assumption as to future rates of claim frequency and severity, inflation, reinsurance recoveries, expense and other contingencies, taking into consideration the circumstances of the Auto Fund an the nature of the insurance policies. The actuary also makes use of Management information provided by the Auto Fund and the work of the external auditors in verifying the data used in the valuation.

The financial statements have been examined and approved by the Board of Directors of Saskatchewan Government Insurance, administrator of the Auto Fund. An Audit and Finance Committee, composed of members of the Board of Directors, meets periodically with financial officers of Saskatchewan Government Insurance and the external auditors. These external auditors have free access to this committee, without Management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

As appointed by the Lieutenant Governor in Council and approved by Crown Investment Corporation of Saskatchewan, KPMG have been appointed external auditors. Their responsibility is to report to the Members of the Legislative Assembly regarding the fairnes of presentation of the Auto Fund's financial position and results of operations as shown in the financial statements. In carrying out their audit, the external auditors also make use of the work of the actuary and her report on the policy liabilities. The Auditors' Report outlines the scope of their examination and their opinion.

Andrew R. Cartmell President and Chief Executive Officer Saskatchewan Government Insurance as Administrator of the Saskatchewan Auto Fund	Jeff Stepan Chief Financial Officer Saskatchewan Government Insurance as Administrator of the Saskatchewan Auto Fund

February 24, 2011

Actuary's Report

To the Board of Directors of
Saskatchewan Government Insurance

I have valued the policy liabilities of the Saskatchewan Auto Fund for its statement of financial position at December 31, 2010, and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods, except as described below.

I am satisified that the data utilized for the valuation of these liablities are reliable and sufficient. I verified the consistency of the valuation data with the company financial records.

In accepted actuarial practice, the valuation of policy liabilities reflects the time value of money. Management required that the valuation of some policy liabilities not reflect the time value of money, which is permissible under Canadian generally accepted accounting principles for financial reporting purposes. My valuation complies with that practice.

In my opinion, except as noted in the previous paragraph, the amount of policy liabilities makes appropriate provision for all policyholder obligations, and the financial statements fairly present the results of the valuation.

Cara Low

Cara Low
Assistant Vice-President, Corporate Actuary
Saskatchewan Government Insurance
Fellow, Canadian Institute of Actuaries

February 24, 2011

Independent Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the accompanying financial statements of the Saskatchewan Auto Fund ("the Entity"), which comprise of the statement of financial position as at December 31, 2010, and the statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan anc perform an audit to obtain reasonable assurance about whether the financial statements ar free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the financial statemen in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financia position of the Saskatchewan Auto Fund as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada

February 24, 2011

Statement of Financial Position

December 31	2010	2009
	(thousands of $)	
Assets		
Cash and cash equivalents (note 3)	$ 80,286	$ 5,733
Accounts receivable (note 4)	165,149	164,400
Deferred policy acquisition costs	25,602	23,471
Investments (note 5)	1,311,231	1,225,507
Property, plant and equipment (note 6)	41,076	40,816
Other assets (note 7)	22,726	26,316
	$ 1,646,070	$ 1,486,243
Liabilities		
Accounts payable and accrued liabilities	$ 31,536	$ 31,371
Premium taxes payable	35,564	32,683
Unearned premiums	325,169	305,893
Provision for unpaid claims (note 8)	1,011,069	961,236
	1,403,338	1,331,183
Equity		
Rate Stabilization Reserve	142,254	67,211
Redevelopment Reserve	14,653	21,344
Accumulated other comprehensive income	85,825	66,505
	242,732	155,060
	$ 1,646,070	$ 1,486,243

Commitments and contingencies (note 17)

(see accompanying notes)

On behalf of the Board:

Warren Sproule
Chairperson, Board of Directors

Howard Crofts
Director

Statement of Operations

year ended December 31	2010	2009
	(thousands of $)	
Gross premiums written	$ 711,277	$ 653,671
Net premiums written	$ 708,350	$ 651,418
Net premiums earned	**$ 684,821**	$ 630,559
Claims incurred	609,673	600,432
Issuer fees	34,813	31,355
Administrative expenses	51,721	46,365
Premium taxes	34,376	31,640
Traffic safety programs	17,285	17,405
Total claims and expenses	**747,868**	727,197
Underwriting loss	**(63,047)**	(96,638)
Investment earnings (note 10)	100,047	31,050
Other income (note 11)	31,352	24,834
Increase (decrease) to Rate Stabilization Reserve	**$ 68,352**	$ (40,754)

(see accompanying notes)

Statement of Comprehensive Income

year ended December 31	2010	2009
	(thousands of $)	
Increase (decrease) to Rate Stabilization Reserve	$ 68,352	$ (40,754)
Other comprehensive income		
Net unrealized gain on available for sale financial assets arising during the year	80,729	73,267
Reclassification of net realized losses (gains) on sale of investments included in operations	(62,727)	4,180
Reclassification for investment write-downs included in operations	1,318	10,180
Other comprehensive income	19,320	87,627
Comprehensive income	$ 87,672	$ 46,873

(see accompanying notes)

Statement of Changes in Equity

year ended December 31	2010	2009
	(thousands of $)	
Rate Stabilization Reserve		
Balance, beginning of year	$ 67,211	$ 102,535
Increase (decrease) to Rate Stabilization Reserve	68,352	(40,754)
Appropriation from Redevelopment Reserve	6,691	5,430
Balance, end of year	$ 142,254	$ 67,211
Redevelopment Reserve		
Balance, beginning of year	$ 21,344	$ 26,774
Appropriation to Rate Stabilization Reserve	(6,691)	(5,430)
Balance, end of year	$ 14,653	$ 21,344
Accumulated other comprehensive income (loss)		
Balance, beginning of year	$ 66,505	$ (21,122)
Other comprehensive income	19,320	87,627
Balance, end of year	$ 85,825	$ 66,505
Total Equity	$ 242,732	$ 155,060

(see accompanying notes)

Statement of Cash Flows

year ended December 31	2010	2009
	(thousands of $)	
Cash provided by (used for):		
Operating activities		
Increase (decrease) to Rate Stabilization Reserve	$ 68,352	$ (40,754)
Non-cash items:		
Amortization	9,470	8,366
Net realized gain on sale of investments	(62,727)	(1,739)
Gain on sale of property, plant and equipment	(1,567)	–
Investment write-downs	1,318	10,180
Change in non-cash operating items (note 14)	69,669	78,947
	84,515	55,000
Investing activities		
Purchases of investments	(1,323,018)	(801,332)
Proceeds on sale of investments	1,316,376	760,477
Repayment of capital lease	920	832
Purchases of property, plant and equipment	(4,443)	(4,462)
Purchases of intangible assets	(2,527)	(6,343)
Proceeds on disposal of property, plant and equipment	2,730	–
	(9,962)	(50,828)
Increase in cash and cash equivalents	74,553	4,172
Cash and cash equivalents, beginning of year	5,733	1,561
Cash and cash equivalents, end of year	$ 80,286	$ 5,733

(see accompanying notes)

Notes to the Financial Statements

December 31, 2010

1. Status of the Auto Fund

The Saskatchewan Auto Fund (the Auto Fund) was established effective January 1, 1984, by an amendment to *The Automobile Accident Insurance Act*. The Auto Fund is a compulsory vehicle insurance program providing vehicle registrations, driver's licences and related services for Saskatchewan drivers and vehicle owners. In addition to vehicle damage and property liability coverage, the Auto Fund also includes injury coverage that provides a choice between No Fault Coverage or Tort Coverage.

The Auto Fund is a self-sustaining fund, administered by Saskatchewan Government Insurance (SGI). The role of SGI, as administrator, is to oversee the operations of the Auto Fund for the Province of Saskatchewan. Any annual excess or deficiencies of the Auto Fund are recorded in its Rate Stabilization Reserve. The Rate Stabilization Reserve is held on behalf of Saskatchewan's motoring public and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from catastrophic events. Being a fund of the Province of Saskatchewan, it is exempt from federal and provincial income taxes. The financial results of the Auto Fund are included in the Province of Saskatchewan's summary financial statements and not in SGI's financial statements.

2. Significant Accounting Policies

The accounting policies of the Auto Fund are in accordance with Canadian generally accepted accounting principles (GAAP).

In March 2009, the Canadian Accounting Standards Board reconfirmed that Canadian GAAP for publicly accountable enterprises, including Government Business Enterprises (GBEs), will be replaced by International Financial Reporting Standards (IFRS) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, these financial statements will be the last prepared by the Auto Fund as a GBE under pre-conversion Canadian GAAP, and the conversion to IFRS will be applicable to the Auto Fund's reporting for the first quarter of 2011, for which current and comparative information will be prepared under IFRS. The Auto Fund will also present an opening IFRS statement of financial position as at January 1, 2010, the Auto Fund's date of transition, as part of the Auto Fund's 2011 interim and annual financial statements.

The following are considered to be the Auto Fund's significant accounting policies:

Measurement uncertainty

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the actuarial determination of the provision for unpaid claims (note 8) and investment valuation (note 5).

Financial assets and liabilities

The measurement basis for financial assets and financial liabilities depends on whether the financial assets and liabilities have been classified as held for trading, available for sale, held to maturity, loans and receivables or other financial liabilities. Financial assets and liabilities classified as held for trading are measured at fair value. Those changes in fair value are recognized as an increase to the Rate Stabilization Reserve. Financial assets classified as available for sale are measured at fair value with unrealized changes in fair value recorded in other comprehensive income. However, unrealized losses considered other than temporary continue to be recognized as a decrease to the Rate Stabilization Reserve. Financial assets and liabilities designated as held to maturity, loans and receivables or other financial liabilities are measured at amortized cost using the effective interest method. The Auto Fund has no financial assets and liabilities designated as held for trading or held to maturity.

The Auto Fund has designated its cash and cash equivalents and its investments as available for sale, except for its income-producing property, which is not considered a financial asset. Accounts receivable are designated as loans and receivables. Accounts payable and premium taxes payable are designated as other financial liabilities. The net investment in capital lease, the accrued pension asset and the provision for unpaid claims are exempt from the above requirement.

Investments

All investments are carried at fair value, except the income-producing property. The fair value of short-term investments is based on cost, which approximates fair value due to the immediate or short-term nature of these financial instruments. The fair value of bonds and debentures and common shares is determined using quoted market values based on the latest bid prices. The fair value of the non-North American pooled equity fund is based on the quoted market values of the underlying investments, based on the latest bid prices. The fair value of the pooled mortgage fund is based on the market values of the underlying mortgage investments, which is calculated by discounting scheduled cash flows through to the estimated maturity of the mortgage using interest rates that reflect the term and credit risk associated with the mortgage. The fair value of the pooled real estate fund is based on the most recent appraisals of the underlying properties.

The Auto Fund records its investment purchases and sales on a trade-date basis, which is the date when the transactions are entered into.

Investment earnings

The Auto Fund recognizes interest and capital lease revenue as earned, dividends when declared, pooled fund revenue when a distribution is declared, and investment gains and losses when realized.

Interest revenue includes amortization of any premium or discount recognized as of the date of purchase of the security. Amortization is calculated using the effective interest method. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Interest is generally receivable on a semi-annual basis.

Transaction costs are included in the acquisition cost of individual investments. Direct investment expenses, such as external custodial, investment management and investment consultant expenses, are recorded against investment earnings.

When the fair value of an investment falls below its cost, and the decline is determined to be other than temporary, a loss equivalent to the difference between cost and fair value is recorded in investment earnings as an investment write-down.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect at the year-end date. Revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized foreign exchange gains and/or losses arising on investments designated as available for sale are included in other comprehensive income until realized, at which time they are reclassified from accumulated other comprehensive income to investment earnings. Translation gains and/or losses related to other financial assets and liabilities are charged to operations in the current year.

Premiums

Premiums written are taken into income over the terms of the related policies, which are no longer than 12 months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of outstanding claims at the year-end date. The estimate includes the cost of reported claims, claims incurred but not reported and an estimate of adjusting expenses to be incurred on these claims. The provision includes an offset for expected future subrogation recoveries and is calculated without discounting except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Reinsurance ceded

Reinsurance premiums ceded and reinsurance recoveries on losses incurred are recorded as reductions of the respective income and expense accounts.

Unpaid claims recoverable from reinsurers, reinsurers' share of unearned premiums and unearned reinsurance commissions are estimated in a manner consistent with the method used for determining the provision for unpaid claims, unearned premiums and deferred policy acquisition costs respectively.

Cash and cash equivalents

Cash and cash equivalents consist of money market investments with a maturity of 90 days or less from the date of acquisition, and are presented net of cash on hand less outstanding cheques.

Deferred policy acquisition costs

Premium taxes and issuer fees are deferred and then charged to expense over the terms of the insurance policies to which such costs relate. The method followed in determining the deferred policy acquisition costs limits the amount of the deferral to the amount recoverable from unearned premiums after giving consideration to investment earnings, as well as claim and adjustment expenses expected to be incurred as the premiums are earned.

Net investment in capital lease

Investment earnings related to the direct financing lease are recognized in a manner that produces a constant rate of return on the investment in the lease. The net investment in the lease is composed of net minimum lease payments less unearned finance income.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis, commencing in the year in which the assets are placed in service, over their estimated useful lives as follows:

Buildings and improvements	20-40 years
Computer hardware and other equipment	3-5 years

Redevelopment Reserve

The Redevelopment Reserve was established, through an appropriation from the Rate Stabilization Reserve, to meet the Auto Fund's commitment to redevelop its information system. As redevelopment expenses were incurred and charged against operations, funds were appropriated back to the Rate Stabilization Reserve.

3. Cash and Cash Equivalents

	(thousands of $) 2010	2009
Money market investments	$ 73,520	$ 5,600
Cash on hand, net of outstanding cheques	6,766	133
Total cash and cash equivalents	$ 80,286	$ 5,733

The average effective interest rate on money market investments is 1.1% (2009 – 0.2%).

4. Accounts Receivable

Accounts receivable is comprised of the following:

	(thousands of $) 2010	2009
Due from insureds	$ 153,170	$ 140,756
Accrued investment income	4,336	5,903
Licence issuers	3,296	4,312
Salvage operations	1,740	1,713
Due from SGI	1,576	–
Other	1,031	1,821
Investment proceeds receivable	–	9,895
Total accounts receivable	$ 165,149	$ 164,400

Included in due from insureds are $149,317,000 (2009 – $137,294,000) of financed premiums receivable, which represents the portion of policyholders' monthly premium payments that are not yet due. The majority of policyholders have the option to pay a portion of the premium when the policy is placed in force and the balance in monthly instalments. The policyholder pays an additional charge for this option, reflecting handling costs and the investment income that would have been earned on such premium, had the total amount been collected at the beginning of the policy period. The additional charge is recognized as other income over the period of the policy.

5. Investments

The carrying values of the Auto Fund's investments are as follows:

	(thousands of $) 2010	2009
Short-term investments	$ 157,783	$ 8,693
Bonds and debentures	612,702	740,249
Canadian common shares	241,069	207,685
U.S. common shares	73,763	66,833
Pooled funds:		
Non-North American equity	75,002	63,352
Mortgage	82,369	75,535
Real estate	68,543	63,160
Total investments	$ 1,311,231	$ 1,225,507

Details of significant terms and conditions, exposures to interest rate and credit risks of investments are as follows:

Short-term investments

Short-term investments are comprised of money market investments with a maturity of less than one year, but greater than 90 days from the date of acquisition. These investments have an average effective interest rate of 1.0% (2009 – 0.2%) and an average remaining term to maturity of 70 days (2009 – 54 days). The Auto Fund's investment policy states that investments must meet minimum investment standards of R-1, as rated by a recognized credit rating service.

Holdings for any one issuer, other than the Government of Canada or a Canadian province, are limited to 10% of the market value of the combined short-term investment and bond portfolios.

Bonds and debentures

The Auto Fund's investment policy states that the minimum quality standard for purchase of bonds and debentures is BBB, as rated by a recognized credit rating service.

The Auto Fund's investment policy limits its holdings for any one issuer, other than the Government of Canada or a Canadian province, to 10% of the market value of the combined bond and short-term investment portfolios. The holdings for any one province are limited to 20% of the market value of the bond portfolio. Foreign currency exposure is limited to 5% of the market value of the bond portfolio, and no more than 10% of the market value of the bond portfolio shall be invested in bonds of foreign issuers.

The carrying value and average effective interest rates are shown in the following chart by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

(thousands of $)

	2010		2009	
Term to maturity (years)	Carrying Value	Average Effective Rates	Carrying Value	Average Effective Rates
Government of Canada:				
After one through five	$ 139,789	1.8%	$ 142,544	2.1%
After five	81,481	3.5%	90,419	3.1%
Canadian provincial and municipal:				
After one through five	16,249	2.4%	13,383	3.1%
After five	207,224	3.9%	180,564	4.5%
Canadian corporate:				
One or less	–	–	8,827	2.0%
After one through five	75,420	2.7%	168,264	3.2%
After five	92,539	4.1%	136,248	5.1%
Total bonds and debentures	$ 612,702		$ 740,249	

Common shares

Common shares have no fixed maturity dates and are generally not exposed to interest rate risk. The average effective dividend rate is 1.8% (2009 – 2.2%).

The Auto Fund's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of the Auto Fund's common shares portfolio. As well, no single holding may represent more than 10% of the voting shares of any corporation.

Pooled funds

The Auto Fund owns units in a non-North American pooled equity fund, a pooled mortgage fund and a pooled real estate fund. These pooled funds have no fixed distribution rate. Fund returns are based on the success of the fund managers.

Unrealized loss positions

The following tables present available for sale investments with unrealized losses where the decline is considered temporary. Unrealized losses are recorded as a component of accumulated other comprehensive income.

(thousands of $)

	2010		2009	
	Carrying Value	Unrealized Losses	Carrying Value	Unrealized Losses
Bonds and debentures:				
Federal	$ 221,270	$ (3,469)	$ 144,961	$ (1,257)
Provincial and municipal	113,184	(1,959)	53,403	(1,207)
Corporate	41,962	(1,137)	81,258	(2,002)
Canadian common shares	34,027	(1,807)	28,291	(2,720)
U.S. common shares	8,818	(941)	21,481	(1,497)
Non-North American pooled equity fund	75,001	(6,009)	63,352	(7,424)
	$ 494,262	$ (15,322)	$ 392,746	$ (16,107)

As at December 31, 2010, the cost of 39 (2009 – 61) available for sale investments exceeded their carrying value by $15,322,000 (2009 – $16,107,000). The unrealized losses on the bonds and debentures arose primarily from changes in interest rates. For common shares and the non-North American pooled equity fund, unrealized losses are primarily the result of investment-specific business environment factors related to the underlying equity investments.

The Auto Fund conducts a quarterly review to identify and evaluate investments that show indications of impairment. An investment is considered impaired if its fair value falls below its cost, and a write-down is recorded in investment earnings when the decline is considered other than temporary. Factors considered in determining whether a loss is temporary include the length of time and extent to which fair value has been below cost, financial condition and near-term prospects of the issuer, and the ability to hold the investment for a period of time sufficient to allow for any anticipated recovery. During the year, investment write-downs of $1,318,000 (2009 – $10,180,000) (note 10) were recorded related to impairments in Canadian and U.S. common shares that were considered other than temporary.

Determination of fair value

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – where quoted prices are readily available from an active market

Level 2 – valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates

Level 3 – models using inputs that are not based on observable market data

(thousands of $)

	2010			2009		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Short-term investments	$ 157,783	$ –	$ 157,783	$ 8,693	$ –	$ 8,693
Bonds and debentures	612,702	–	612,702	740,249	–	740,249
Canadian common shares	241,069	–	241,069	207,685	–	207,685
U.S. common shares	73,763	–	73,763	66,833	–	66,833
Pooled funds:						
Non-North American equity	75,002	–	75,002	63,352	–	63,352
Mortgage	–	82,369	82,369	–	75,535	75,535
Real estate	–	68,543	68,543	–	63,160	63,160
	$ 1,160,319	$ 150,912	$ 1,311,231	$ 1,086,812	$ 138,695	$ 1,225,507

6. Property, Plant and Equipment

The components of the Auto Fund's investment in property, plant and equipment, as well as the related accumulated amortization, is as follows:

(thousands of $)

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 6,643	$ –	$ 6,643	$ 6,979
Buildings and improvements	50,967	20,307	30,660	30,281
Computer hardware and other equipment	32,591	28,818	3,773	3,556
Total	$ 90,201	$ 49,125	$ 41,076	$ 40,816

Amortization for the year is $3,020,000 (2009 – $2,830,000) and is included in administrative expenses on the Statement of Operations.

7. Other Assets

Other assets are comprised of the following:

	(thousands of $) 2010	2009
Intangible assets	$ 14,762	$ 17,038
Inventories	3,336	3,302
Accrued pension asset	2,787	2,955
Prepaid expenses	1,599	1,859
Net investment in capital lease	242	1,162
Total	$ 22,726	$ 26,316

Intangible assets

Intangible assets are comprised of the following:

	(thousands of $) 2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
System development costs	$ 25,141	$ 10,379	$ 14,762	$ 17,038

Amortization for the year is $4,803,000 (2009 – $2,995,000) and is included in administrative expenses on the Statement of Operations. During the year, $2,527,000 (2009 – $6,343,000) of internally generated system development costs were capitalized.

Net investment in capital lease

The Auto Fund, as lessor, has a 63% interest in a lease agreement with the Ministry of Government Services, a related party, for a term of 30 years (expiring April 2011) on property in Prince Albert, Saskatchewan. The lease transfers substantially all benefits and risks associated with the ownership of the property to the lessee. The total minimum lease payments receivable under the lease agreement are $246,000 (2009 – $1,241,000), payable by April 2011. Unearned income at December 31, 2010, is $4,000 (2009 – $79,000).

The fair value of the net investment in the capital lease is $246,000 (2009 – $1,268,000). The fair value is calculated by discounting scheduled cash flows through to the estimated expiration of the lease using current interest rates.

8. Provision for Unpaid Claims

Nature of unpaid claims

The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Auto Fund at the year-end date, and therefore, estimates are made as to the value of these claims. As well, uncertainty exists regarding the cost of reported claims that have not been settled, as all the necessary information may not be available at the year-end date.

Factors used to estimate the provision include the Auto Fund's experience with similar cases, historical claim payment trends, the characteristics of each class of business, claim severity and claim frequency such as those caused by natural disasters, the effect of inflation on the cost of future claims, court decisions and economic conditions. Time is also a critical factor in determining the

provision, since the longer it takes to settle and pay a claim, the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as damage claims tend to be more reasonably predictable than long-tail claims such as long-term disability and liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors and on the judgment and opinions of a number of individuals, which necessarily involves risk that actual results may differ materially from the estimates.

Type of unpaid claims

The provision for net unpaid claims is summarized by type of claim as follows:

	(thousands of $) 2010	2009
Injury accident benefits	$ 880,845	$ 776,087
Injury liability	68,132	80,417
Damage	62,092	104,732
Total	$ 1,011,069	$ 961,236

Included in the provision for unpaid claims are discounted amounts for certain injury accident benefits in the amount of $575,354,000 (2009 – $492,663,000). These claims have been discounted using a rate of 5.5% (2009 – 6.0%), which reflects the expected claim settlement patterns and the Auto Fund's projected rate of return on its investment portfolio.

Included in the above amount is a provision for adverse development (PFAD) in the amount of $77,818,000 (2009 – $65,710,000). The incorporation of a PFAD on benefits is in accordance with accepted actuarial practice and the selected PFAD is within the ranges recommended by the Canadian Institute of Actuaries. The PFAD considers the Auto Fund's assumptions concerning claims development, reinsurance recoveries and future investment earnings.

The fair value of the provision for unpaid claims has not been determined because it is not practicable to do so with sufficient reliability.

Change in the estimate for the provision for unpaid claims

The change in the estimate for the provision for unpaid claims is as follows:

	(thousands of $) 2010	2009
Net unpaid claims, beginning of year	$ 961,236	$ 891,705
Payments made during the year relating to prior year claims	(192,895)	(183,705)
Deficiency (excess) relating to prior year:		
Ultimate losses	(13,632)	2,642
Discounting	21,862	19,463
Net unpaid for claims of prior years	776,571	730,105
Provision for claims occurring in the current year	234,498	231,131
Net unpaid claims, end of year	$ 1,011,069	$ 961,236

The following table shows the development of the estimated net provision for unpaid claims relative to the current estimate of ultimate claims costs for the four most recent accident years as estimated at each reporting date:

(thousands of $)

	2007	2008	2009	2010	Total
Net Ultimate Loss					
At end of accident year	$ 448,976	$ 485,286	$ 502,963	$ 534,258	
One year later	477,602	479,276	512,130		
Two years later	472,002	486,576			
Three years later	479,626				
Cumulative loss development	$ (30,650)	$ (1,290)	$ (9,167)	$ –	
Cumulative loss development as a % of original ultimate loss	-6.8%	-0.3%	-1.8%	0.0%	
Current estimate of net ultimate loss	479,626	486,576	512,130	534,258	
Cumulative paid	(419,721)	(413,150)	(411,708)	(327,057)	
	$ 59,905	$ 73,426	$ 100,422	$ 207,201	$ 440,954
Net undiscounted claims outstanding for accident years 2006 and prior					425,921
Provision for adverse deviation					77,818
Loss adjusting expense reserve					62,074
Other reconciling items					4,302
Net provision for unpaid claims					$ 1,011,069

Structured settlements

The Auto Fund settles some long-term disability claims by purchasing annuities from various financial institutions for its claimants. The settlements legally release the Auto Fund from its obligations to the claimants. Consequently, neither the annuities purchased nor the claim liabilities are recognized on the Statement of Financial Position. However, as part of the settlement, the Auto Fund provides a financial guarantee to the claimants in the event the financial institutions default on the scheduled payments. As at December 31, 2010, no information has come to the Auto Fund's attention that would suggest any weakness or failure in the financial institutions from which it has purchased the annuities. The net present value of the scheduled payments as of the year-end date is $21,505,000 (2009 – $21,633,000).

9. Underwriting Policy and Reinsurance Ceded

The Auto Fund seeks to reduce losses that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. The policy of underwriting and reinsuring contracts of insurance limits the liability of the Auto Fund to a maximum amount on any one loss as follows:

(thousands of $)

	2010	2009
Automobile physical damage catastrophe	$ 5,000	$ 5,000
(subject to filling an annual aggregate deductible of)	5,000	5,000
Personal automobile injury	20,000	20,000

The Auto Fund evaluates and monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

The following table sets out the amount by which reinsurance ceded has reduced the premiums earned and claims incurred:

	(thousands of $) 2010	2009
Premiums earned	$ 2,705	$ 2,253
Claims incurred	6,428	–

10. Investment Earnings

The components of investment earnings are as follows:

	(thousands of $) 2010	2009
Net realized gain on sale of investments	$ 62,727	$ 1,739
Interest	28,156	28,903
Dividends	6,110	5,567
Pooled funds	5,873	5,597
Interest on net investment in capital lease	75	163
Income-producing property, net of operating costs of $nil (2009 – $937,000)	–	609
Investment write-downs	(1,318)	(10,180)
Total investment earnings	$ 101,623	$ 32,398
Investment expenses	(1,576)	(1,348)
Net investment earnings	$ 100,047	$ 31,050

Cash inflows from the income-producing property are $nil (2009 – $770,000).
Investment write-downs by category are as follows:

	(thousands of $) 2010	2009
Canadian common shares	$ (1,111)	$ (8,288)
U.S. common shares	(207)	(1,892)
Total investment write-downs	$ (1,318)	$ (10,180)

11. Other Income

The components of other income are as follows:

	(thousands of $) 2010	2009
Payment option fees	$ 19,961	$ 17,380
Net earnings on salvage sales	9,824	7,454
Gain on sale of property, plant and equipment	1,567	–
Total other income	$ 31,352	$ 24,834

The Auto Fund operates a salvage division in order to maximize the derived economic value of salvageable vehicles, vehicle parts and materials available through the claim settlement process. Total salvage sales in 2010 were $32,538,000 (2009 – $28,863,000).

The Auto Fund offers a Short-Term Vehicle Registration and Insurance Plan that allows customers to choose the number of months they wish to insure and register their vehicle. Another payment option, AutoPay, allows customers to have equal monthly withdrawals made from their bank accounts for their vehicle registration and insurance (note 4).

12. Financial Risk Management

The nature of the Auto Fund's operations result in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Auto Fund's investments. These financial risks are managed by having a Statement of Investment Policies and Goals (SIP&G), which is approved annually by SGI's Board of Directors, based on a recommendation from the Board's Investment Committee. The SIP&G provides guidelines for the Auto Fund's investment manager for the asset mix of the portfolio, regarding quality and quantity of fixed income, real estate and equity investments using a prudent person approach. The asset mix guidelines help reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. SGI receives regular reporting from the investment manager and custodian regarding compliance with the SIP&G.

Credit risk

The Auto Fund's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which the Auto Fund is exposed as at December 31, 2010, is limited to the carrying value of those financial assets summarized as follows:

	(thousands of $) 2010	2009
	Carrying Value	Carrying Value
Cash and cash equivalents	$ 80,286	$ 5,733
Accounts receivable	165,149	164,400
Fixed income investments [1]	852,854	824,477

[1] Includes short-term investments, bonds and debentures and the mortgage pooled fund

In addition, the Auto Fund is exposed to credit risk associated with its structured settlements and securities lending program as described separately in the notes to the financial statements.

Cash and cash equivalents include money market investments of $73,520,000 (December 31, 2009 – $5,600,000) that mature within 90 days from the date of acquisition. All short-term investments have a credit rating of R-1.

Accounts receivable relate primarily to financed premiums, which are receivable from customers, diversified among residential, farm and commercial customers. Accounts receivable consist of balances outstanding for one year or less. Provisions for credit losses are maintained in an allowance account and are regularly reviewed by the Auto Fund. Amounts are written off once reasonable collection efforts have been exhausted. An Auto Fund customer cannot complete a driver's licence or vehicle transaction without making arrangements for payment of outstanding balances, including balances previously written off.

Details of the allowance account are as follows:

	(thousands of $) 2010	2009
Allowance for doubtful accounts, opening balance	$ 9,751	$ 8,156
Accounts written off	(1,518)	(1,050)
Current period provision	1,030	2,645
Allowance for doubtful accounts, closing balance	$ 9,263	$ 9,751

Credit risk within investments is related primarily to short-term investments, bonds and debentures, and the mortgage pooled fund. It is managed through an investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds and debentures is BBB and for short-term investments is R-1), along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit ratings for bonds and debentures are as follows:

	2010		2009	
Credit Rating	Carrying Value (thousands of $)	Makeup of Portfolio (%)	Carrying Value (thousands of $)	Makeup of Portfolio (%)
AAA	$ 295,888	48.3	$ 335,716	45.4
AA	158,761	25.9	194,850	26.3
A	123,295	20.1	172,731	23.3
BBB	34,758	5.7	36,952	5.0
Total	$ 612,702	100.0	$ 740,249	100.0

Within bonds and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond and short-term investment portfolios. No single holding of a province is over 20% of the market value of the bond portfolio.

The Auto Fund's investment in a mortgage pooled fund is subject to credit risk as its value is impacted by the credit risk of the underlying mortgages. This risk is limited by restrictions within its investment policy, which include single loan limits, and diversification by property type and geographic regions within Canada.

Through its custodian, the Auto Fund participates in an investment security lending program. Collateral of at least 102% of the market value of the loaned securities is held for the loan. This collateral is marked to market on a daily basis. In addition, the custodian provides indemnification against any potential losses in the securities lending program. At December 31, 2010, the Auto Fund had $202,729,000 (2009 – $99,495,000) of securities loaned under the program and held collateral of $212,904,000 (2009 – $104,469,000).

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk impacts the value of the Auto Fund's investments.

Interest rate risk

The Auto Fund is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and debentures, and the mortgage pooled fund. It is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase other comprehensive income and accumulated other comprehensive income by approximately $42.3 million at December 31, 2010 (2009 – $51.0 million), representing 5.0% of the $852.9 million (2009 – 6.2%, $824.5 million) of fixed income investments.

Foreign exchange risk

The Auto Fund is subject to changes in the U.S./Canadian dollar exchange rate on its U.S. equity investment portfolio and its Europe, Australasia and Far East (EAFE) currencies through its investment in the non-North American pooled fund. Exposure to both U.S. equities and non-North American equities is limited to a maximum 7% each of the market value of the total investment portfolio. At December 31, 2010, the Auto Fund's exposure to U.S. equities was 5.6% (2009 – 5.5%) and its exposure to non-North American equities was 5.7% (2009 – 5.2%). The Auto Fund has no foreign exchange exposure within its bonds and debentures.

At December 31, 2010, a 10% appreciation/depreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $7.4 million (2009 – $6.7 million) decrease/increase in other comprehensive income and accumulated other comprehensive income. A 10% appreciation/depreciation in the Canadian dollar versus EAFE currencies would result in approximately a $7.5 million (2009 – $6.3 million) decrease/increase in other comprehensive income and accumulated other comprehensive income. As the U.S. equity and non-North American pooled fund investments are classified as available for sale, any unrealized changes due to foreign currency are recorded as other comprehensive income and do not directly impact net income until the investment is sold.

The Auto Fund's exposure to foreign exchange risk within its bond and debenture portfolio is limited to a maximum 5% of the market value of the bond and debenture portfolio. As well, no more than 10% of the market value of the bond portfolio shall be invested in bonds of foreign issuers.

The Auto Fund's exposure to exchange rate risk resulting from the purchase of goods and services is not considered material to the operations of the Auto Fund.

Equity prices

The Auto Fund is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 29.7% (2009 – 27.6%) of the carrying value of the Auto Fund's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of the Auto Fund's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

The Auto Fund's equity price risk is assessed using Value at Risk (VaR), a statistical technique that measures the potential change in the value of an asset class. The VaR has been calculated based on volatility over a four-year period, using a 95% confidence level. As such, it is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95% of the time (19 times out of 20 years).

(thousands of $)

Asset Class	2010	2009
Canadian equities	$ +/- 94,499	$ +/- 80,166
U.S. equities	+/- 19,236	+/- 16,708
Non-North American pooled equity fund	+/- 25,950	+/- 21,667

The Auto Fund's equity investments are classified as available for sale and as such, any unrealized changes in their fair value are recorded as other comprehensive income and do not directly impact net income until the investment is sold.

Liquidity risk

Liquidity risk is the risk the Auto Fund is unable to meet its financial obligations as they fall due. Cash resources of the Auto Fund are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, excluding certain unpaid claims liabilities, are short-term in nature, and due within one year. The Auto Fund generally maintains positive overall cash flows through cash generated from operations as well as cash generated from its investing activities.

The following summarizes the estimated contractual maturities of the Auto Fund's financial liabilities at December 31:

(thousands of $)

2010

	Carrying amount	0-6 months	7-12 months	1-2 years	3-5 years	More than 5 years
Accounts payable and accrued liabilities	$ 31,536	$ 31,536	$ –	$ –	$ –	$ –
Premium taxes payable	35,564	35,564	–	–	–	–
Provision for unpaid claims	1,011,069	163,351	80,677	124,714	238,013	404,314
	$ 1,078,169	$ 230,451	$ 80,677	$ 124,714	$ 238,013	$ 404,314

(thousands of $)

2009

	Carrying amount	0-6 months	7-12 months	1-2 years	3-5 years	More than 5 years
Accounts payable and accrued liabilities	$ 31,371	$ 31,371	$ –	$ –	$ –	$ –
Premium taxes payable	32,683	32,683	–	–	–	–
Provision for unpaid claims	961,236	155,299	76,700	118,567	226,282	384,388
	$ 1,025,290	$ 219,353	$ 76,700	$ 118,567	$ 226,282	$ 384,388

13. Capital Management

The primary objectives of capital management for the Auto Fund is to maintain an adequate balance in its Rate Stabilization Reserve (RSR) to assist in achieving consistency and stability in rates so that customers are not subject to ongoing price fluctuations or large rate increases. The Auto Fund uses a common industry measurement called the Minimum Capital Test (MCT) to establish a target for the RSR. The MCT is a risk-based capital adequacy formula that assesses risks to assets, policy liabilities and off-balance sheet exposures by applying various factors to determine a ratio of capital available over capital required. The Auto Fund's target for 2010 was a range between 75% and 150%. At December 31, 2010, the MCT was 124% (2009 – 83%).

The Auto Fund's legislation restricts how it can raise capital and mandates the benefits it is to provide to policyholders. The Auto Fund does not receive money from the province nor from SGI, the administrator of the Auto Fund, and it does not pay dividends to the province or its administrator. The Auto Fund cannot go to public capital markets to issue debt or common shares. It uses premiums and fees from its operations, along with income generated from its investment portfolio, to fund future operations.

14. Change in Non-Cash Operating Items

The change in non-cash operating items is comprised of the following:

	(thousands of $) 2010	2009
Accounts receivable	$ (749)	$ (14,927)
Deferred policy acquisition costs	(2,131)	(1,863)
Other assets	394	(970)
Accounts payable and accrued liabilities	165	9,389
Premium taxes payable	2,881	2,046
Unearned premiums	19,276	23,426
Provision for unpaid claims	49,833	61,846
	$ 69,669	$ 78,947

15. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Auto Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Transactions and amounts outstanding at year-end are as follows:

Category	2010 (thousands of $)	2009 (thousands of $)
Accounts receivable	$ 81	$ 1,873
Deferred policy acquisition costs	16,021	14,834
Investments	5,359	16,983
Accounts payable and accrued liabilities	179	176
Premium taxes payable	35,564	32,684
Unearned premiums	3,410	3,456
Provision for unpaid claims	2,251	1,543
Gross premiums written	7,584	7,630
Net premiums earned	7,331	7,387
Claims incurred	25,840	24,797
Administrative expenses	4,067	3,877
Premium taxes	34,376	31,641
Traffic safety programs	2,472	2,390
Investment earnings	2,111	759

SGI acts as administrator of the Auto Fund. Administrative and loss adjustment expenses incurred by SGI are allocated to the Auto Fund directly or on the basis of specific distributions. Amounts incurred by SGI and charged to the Auto Fund were $119,080,000 (2009 – $112,382,000) and accounts receivable are $1,576,000 (2009 – accounts payable of $133,000).

Certain board members are partners in organizations that provided $36,000 (2009 – $16,000) of professional services to the Auto Fund. These services were recorded in claims incurred and administrative expenses in the Statement of Operations. In addition, one board member owns an organization that provides insurance services on behalf of the Auto Fund. Premiums written during the year from this organization amounted to $1,758,000 (2009 – $1,653,000) and the associated accounts receivable at December 31, 2010, was $23,000 (2009 – $5,000). Issuer fees related to these premiums were $148,000 (2009 – $109,000). The above noted transactions are routine operating transactions in the normal course of business.

Other related party transactions are described separately in the notes.

16. Fair Value of Financial Assets and Liabilities

The fair value of financial assets and liabilities, other than investments (note 5), net investment in capital lease (note 7) and unpaid claims (note 8) approximate carrying value due to their immediate or short-term nature.

17. Commitments and Contingencies

The Auto Fund has contractual obligations to provide funding to Saskatchewan health organizations for costs associated with rehabilitation for those involved in automobile collisions.

The following is the funding anticipated to be provided over the next five years:

	(thousands of $)
2011	$ 19,894
2012	20,251
2013	12,918
2014	10,500
2015	10,500

In common with the insurance industry in general, the Auto Fund is subject to litigation arising in the normal course of conducting its insurance business. The Auto Fund is of the opinion that this litigation will not have a significant effect on its financial position or results of operation of the Auto Fund.

18. Comparative Financial Information

For comparative purposes, certain 2009 balances have been reclassified to conform to 2010 financial statement presentation.

Corporate Governance

The Canadian Securities Administrators and securities regulators across Canada have implemented governance policies for publicly traded companies. National Policy 58-201 and National Instrument 58-101 came into effect on June 30, 2005. While Saskatchewan Government Insurance is not publicly traded and therefore not required to comply with these guidelines, they provide an excellent benchmark to measure good governance practices.

National Policy 58-201 Corporate Governance Guidelines

Guideline	Saskatchewan Government Insurance
Composition of the Board 1. The board should have a majority of independent directors.	Yes. The Board of Directors is constituted of a majority of independent directors.
2. The chair of the board should be an independent director. Where this is not appropriate, an independent director should be appointed to act as "lead director." However, either an independent chair or an independent lead director should act as the effective leader of the board and ensure that the board's agenda will enable it to successfully carry out its duties.	Yes. The Chair of the Board is an independent director.
Meetings of Independent Directors 3. The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.	Yes. The Board of Directors has meetings in-camera, during which no management is in attendance, at every Board and committee meeting, as well as on an as-required basis. There are no non-independent directors on the current Board.
Board Mandate 4. The board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:	Yes. The Board has approved Terms of Reference (mandate) which explicitly acknowledge responsibility for the stewardship of the Corporation.
(a) to the extent feasible, satisfying itself as to the integrity of the chief executive officer (the CEO) and other executive officers, and that the CEO and other executive officers create a culture of integrity throughout the organization;	Yes. The Board has approved the corporate values under which all employees, including the CEO and senior management, are expected to operate.
(b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;	Yes. The Board of Directors holds an annual strategic planning session. This session provides the basis of the Corporation's strategic plan and initiatives, as well as direction to management in the formation of the Corporation's operating budget and goals. Further, the Board is provided with quarterly updates during the year on the progress of the corporate strategic initiatives.

Guideline	Saskatchewan Government Insurance
(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;	Yes. The Board of Directors undertakes a process to identify the principal risks of the business, to achieve a proper balance between risks incurred and potential returns, and to oversee the implementation of appropriate systems to manage the risks. The Board of Directors has established a Risk committee with responsibility for this function and it reports to the Board on those risks on at least an annual basis.
(d) succession planning (including appointing, training and monitoring senior management);	Yes. The Board of Directors has charged the Human Resources committee with responsibility for reviewing the Corporation's succession plan. The committee reviews the plan on an annual basis and reports its findings to the Board.
(e) adopting a communication policy for the issuer;	Yes. The Corporation has a formal communications policy which has been approved by the Board of Directors.
(f) the issuer's internal control and management information systems; and	Yes.
(g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer.	Yes.
The written mandate of the board should also set out: (i) measures for receiving feedback from stakeholders (e.g., the board may wish to establish a process to permit stakeholders to directly contact the independent directors), and	Yes. The Corporation also undertakes research annually on behalf of the Board.
(ii) expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials. In developing an effective communication policy for the issuer, issuers should refer to the guidance set out in *National Policy 51-201 Disclosure Standards.*	Yes. Position descriptions for directors were developed and approved.
Position Descriptions 5. The board should develop clear position descriptions for the chair of the board and the chair of each board committee. In addition, the board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.	Yes. Position descriptions for directors were developed and approved. A position description for the CEO has been developed and approved. The Board has developed and approved corporate goals and objectives.

National Policy 58-201 Corporate Governance Guidelines

Guideline	Saskatchewan Government Insurance
Orientation and Continuing Education 6. The board should ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). All new directors should also understand the nature and operation of the issuer's business.	Yes. The Terms of Reference for the Board specify the responsibility for director training, which has been delegated to the Governance committee. New directors receive an orientation which provides an overview of the Corporation, its operations and its industry. Further, directors are educated on the role of the Board, its committees and the expectation of directors. The director position description describes a director's responsibilities.
7. The board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.	Yes. The Board provides opportunities for all directors to increase their knowledge of issues and subjects facing the Corporation. Further, Crown Investments Corporation provides annual director training opportunities to all Crown corporation directors.
Code of Business Conduct and Ethics 8. The board should adopt a written code of business conduct and ethics (a code). The code should be applicable to directors, officers and employees of the issuer. The code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:	Yes. The Board has adopted a written Code of Conduct for Directors and a Corporate Code of Ethics and Conduct which is applicible to directors, officers and employees.
(a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;	Yes. Conflicts of interest are addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.
(b) protection and proper use of corporate assets and opportunities;	Yes. The protection and proper use of corporate assets and opportunities are addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.
(c) confidentiality of corporate information;	Yes. The confidentiality of corporate information is addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.
(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;	Yes. The fair dealing with customers, suppliers, competitors and employees is addressed in the Corporate Code of Ethics and Conduct.
(e) compliance with laws, rules and regulations; and,	Yes. The compliance with laws, rules and regulations is addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.

Guideline	Saskatchewan Government Insurance
(f) reporting of any illegal or unethical behaviour.	Yes. The reporting of any illegal or unethical behaviour is addressed in the Corporate Code of Ethics and Conduct, and more specifically in the Whistleblower Policy.
9. The board should be responsible for monitoring compliance with the code. Any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the board (or a board committee) only.	Yes. The Human Resources committee receives an annual report concerning compliance with the code. On an as-required basis, the Human Resources committee may grant a waiver from the code.
Although issuers must exercise their own judgment in making materiality determinations, the Canadian securities regulatory authorities consider that conduct by a director or executive officer which constitutes a material departure from the code will likely constitute a "material change" within the meaning of National Instrument 51-102 Continuous Disclosure Obligations. National Instrument 51-102 requires every material change report to include a full description of the material change. Where a material departure from the code constitutes a material change to the issuer, we expect that the material change report will disclose, among other things: • the date of the departure(s), • the party(ies) involved in the departure(s), • the reason why the board has or has not sanctioned the departure(s), and • any measures the board has taken to address or remedy the departure(s).	Not applicable.
Nomination of Directors 10. The board should appoint a nominating committee composed entirely of independent directors.	Yes. The Board has charged the Governance committee with the responsibility of the nomination of directors. The committee is comprised entirely of independent directors.
11. The nominating committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees), and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.	Yes. The Governance committee's charter is contained within the Terms of Reference.

National Policy 58-201 Corporate Governance Guidelines

Guideline	Saskatchewan Government Insurance
12. Prior to nominating or appointing individuals as directors, the board should adopt a process involving the following steps:	
(a) Consider what competencies and skills the board, as a whole, should possess. In doing so, the board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.	Yes. The Governance committee undertakes a skills assessment on an annual basis.
(b) Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the board. Instead, the board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.	Yes. The Governance committee undertakes a needs assessment on an annual basis.
The board should also consider the appropriate size of the board, with a view to facilitating effective decision-making.	Yes. The Governance committee reviews and recommends the size of the Board.
In carrying out each of these functions, the board should consider the advice and input of the nominating committee.	Yes. The Governance committee reports regularly to the Board and when required makes recommendations. It should be noted that director appointments are made by Order-in-Council.
13. The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees for the next annual meeting of shareholders.	Yes. The Governance committee has a recruitment and selection process that it undertakes prior to making recommendations for appointments to the Board and Crown Investments Corporation.
14. In making its recommendations, the nominating committee should consider:	
(a) the competencies and skills that the board considers to be necessary for the board, as a whole, to possess;	Yes. The Governance committee reviews the competencies and skills required for the Board as a whole.
(b) the competencies and skills that the board considers each existing director to possess; and,	Yes. The Governance committee reviews the competencies and skills of each of the directors.
(c) the competencies and skills each new nominee will bring to the boardroom.	Yes. The Governance committee reviews the competencies and skills of nominee directors.
The nominating committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a board member.	Yes. During the recruitment and selection process, the Governance committee ensures that potential nominees understand the requirements and have sufficient time and resources to devote to the Board member responsibilities.

National Policy 58-201 Corporate Governance Guidelines

Guideline	Saskatchewan Government Insurance
Compensation 15. The board should appoint a compensation committee composed entirely of independent directors.	Yes. The Board has delegated the responsibilities for compensation to the Human Resources committee. The committee is comprised entirely of the independent directors.
16. The compensation committee should have a written charter that establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.	Yes. The Human Resources committee's charter is contained within the Terms of Reference. The committee has the authority to engage and compensate any outside advisor it may determine is necessary to carry out its duties.
17. The compensation committee should be responsible for:	
(a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the board with respect to) the CEO's compensation level based on this evaluation;	Yes. The Human Resources committee undertakes a detailed CEO evaluation on an annual basis. As part of that evaluation, the committee reviews corporate goals and objectives, and evaluates the CEO's performance against those goals and objectives. The findings of the evaluation and any compensation changes resulting from the review are recommended to the Board.
(b) making recommendations to the board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and,	Yes. The Human Resources committee reviews and recommends to the Board and Crown Investments Corporation any changes to compensation.
(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.	Not applicable. Individuals reporting to the CEO, which includes all executive members, are required by legislation to file and report any changes in their compensation to the Clerk of the Saskatchewan Legislature within a 14-day period of time. Further, by policy of the Crown and Central Agencies committee of the Legislature, the Corporation is required to file an annual payee list which also contains the compensation of all members of the executive.

National Policy 58-201 Corporate Governance Guidelines

Guideline	Saskatchewan Government Insurance
Regular Board Assessments 18. The board, its committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider:	Yes. The Board conducts, on a rotational basis, peer assessments and reviews of the Board and the Chair.
(a) in the case of the board or a board committee, its mandate or charter; and,	Yes. The Board and its committees review their terms of reference on an as-needed basis and at least every three years.
(b) in the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the board.	Yes. The Board has a position description for directors; further, individual director's skills and competencies are reviewed as part of the regular assessments.

National Policy 58-201 Corporate Governance Guidelines

Independence

The matter of "independence from management" is based upon the definition set by the Canadian Securities Administrators (CSA) and utilized by publicly traded companies in the industry. None of the directors have worked with or for the Corporation, or have direct material contracts or relationships with the Corporation, or have received remuneration from the Corporation in excess of the fees and compensation as directors and committee members or as directors of subsidiaries of the Corporation. However, two members of the Board of Directors are partners in law firms that have performed legal services for the Corporation in 2010, and are thereby deemed to have a material indirect relationship with the Corporation under the above standard. The Corporation's owner has managed this issue through the development of a protocol regarding lawyers serving on Crown Investments Corporation subsidiary Crown corporation Boards of Directors. Although not in strict compliance with the CSA standards, this protocol adopts the principle that directors must be free from any material relationship that may interfere with the director's ability to exercise independent judgment in the best interests of the Corporation or to influence the choice of law firms. Given the smaller local market in Saskatchewan for legal services, the protocol restricts directors from any direct material relationship, but allows a limited indirect relationship subject to the qualifications of the protocol, such as pre-approval of legal services by an independent Board committee, declarations of conflict, no direct benefit to the director and restriction of information to that director. The Corporation's General Counsel reviews all charges related to the provision of legal services by external counsel. The General Counsel in turn reports to the Governance committee of the Board on any new matters undertaken by the director's law firm, other than those that are substantially similar to matters previously performed by the law firm in question. The Board Chair, Warren Sproule, Q.C., and Board member Douglas Richardson, Q.C., are lawyers who are subject to this protocol. All other directors, including the Vice-Chair of the Board, are independent of management. At each Board and committee meeting, the directors meet in-camera without the presence of management.

Glossary of Terms

Catastrophe reinsurance – A policy purchased by a ceding company that indemnifies that company for the amount of loss in excess of a specified retention amount subject to a maximum specific limit from a covered catastrophic event.

Claims incurred – The totals for all claims paid and related claim expenses during a specific accounting period(s) plus the changes in the provision for unpaid claims for the same period of time.

Combined ratio – A measure of total expenses (claims and administration) in relation to net premiums earned as determined in accordance with GAAP. If this ratio is below 100% there was a profit from underwriting activities, while over 100% represents a loss from underwriting.

GAAP – Generally accepted accounting principles. These are defined in the handbook prepared by the Canadian Institute of Chartered Accountants.

Gross premiums written (GPW) – Total premiums, net of cancellations, on insurance underwritten during a specified period of time before deduction of reinsurance premiums ceded.

IBNR reserve – Abbreviation for 'incurred but not reported'. A reserve that estimates claims that have been incurred by a policyholder but not reported to the insurance company. It also includes unknown future developments on claims that have been reported.

Loss ratio (Claims ratio) – Claims incurred net of reinsurance expressed as a percentage of net premiums earned for a specified period of time.

Motor licence issuer – A person who negotiates driver's licences and vehicle licence/insurance on behalf of the Auto Fund and who receives a fee from the Auto Fund for licences placed and other services rendered.

Net premiums earned (NPE) – The portion of net premiums written that is recognized for accounting purposes as revenue during a period.

Net premiums written (NPW) – Gross premiums written for a given period of time less premiums ceded to reinsurers during such period.

Premium – The dollars that a policyholder pays today to insure a specific set of risk(s). In theory, this reflects the current value of the claims that a pool of policyholders can be expected to make in the future, as well as the costs of administering those potential claims.

Premium tax – A tax collected from policyholders and paid to the province. It is calculated as a percentage of gross premiums written.

Prudent person – A common law standard against which those investing the money of others are judged against.

Redundancy and deficiency – Claim reserves are constantly re-evaluated. An increase in a reserve from the original estimate is a deficiency while a decrease to the original reserve is called a redundancy.

Underwriting profit/loss – The difference between net premiums earned and the sum of net claims incurred, commissions, premium taxes and all general and administrative expenses.

Unearned premiums – The difference between net premiums written and net premiums earned. It reflects the net premiums written for that portion of the term of its insurance policies that are deferred to subsequent accounting periods.

Board of Directors

Warren Sproule Q.C. (Chair)	Partner, Kanuka Thuringer LLP Regina, Sask.
Anne M. Lavack (Vice-Chair)	Dean, Faculty of Business Administration Paul J. Hill School of Business Kenneth Levene Graduate School of Business University of Regina Regina, Sask.
Merin Coutts	Sales Manager, Shaw Cable Saskatchewan Division Saskatoon, Sask.
Howard Crofts	Vice-President, Business Assurance Services Regina, Sask.
Dwight Dunn	Manager, Western Financial Group Wolseley, Sask.
Rick Kennedy	Brian Mallard and Associates Saskatoon, Sask.
Tyrone Klewchuk	Businessman Yorkton, Sask.
Rick Orr	Mortgage Broker Prince Albert, Sask.
Doug Richardson, Q.C.	Senior Partner, McKercher LLP Saskatoon, Sask.
Rick Smith	Senior Vice-President, Henderson Insurance Moose Jaw, Sask.
Jeff Sterzuk	Chief Operating Officer, Impact Society Calgary, Alta.
Rick Watson	Watson Tractor Regina, Sask.

Vice-Presidents

Earl G. Cameron
Vice-President
Claims and Salvage

John Dobie
Vice-President
Canadian Operations

Tamara Erhardt
Vice-President
Human Resources
and Corporate Services

Randy Heise
Vice-President
Underwriting

Jeff Stepan
Chief Financial Officer

Don Thompson
Vice-President
Product Management

Dwain Wells
Vice-President
Systems and Facilities

Sherry Wolf
Vice-President
Auto Fund

In Memoriam

Linda Appell, a Clerk 2 at the Yorkton Claims Centre, was a dedicated and upbeat employee who made many friends over the almost 10 years she spent with SGI.

She was an avid volunteer and animal lover, who also enjoyed fishing, gardening, jigsaw puzzles and combing garage sales and flea markets for hidden treasures.

Linda's colleagues remember her bubbly personality and contagious laugh, and her ability to always find the funny things in any situation and keep everyone positive.

Linda passed away on Feb. 3, 2010.

Mary-Lou Selinger, a Clerk 4 in Driver Records at SGI's head office in Regina, was appreciated by her co-workers for her cheerful personality and willingness to help others.

Mary-Lou loved knitting and crocheting, and happily gave her creations to her friends. She was especially famous for her chocolate cake, which was in high demand at every department event.

Mary-Lou's co-workers remember her dedication to her children, grandchildren and beloved pet, and how much she enjoyed the motorcycle trips she shared with her husband.

Mary-Lou worked at SGI for more than 18 years. She passed away on Nov. 7, 2010.